Public Accounts

Volume 1 — Consolidated Financial Statements
for the fiscal year ended March 31, 2016

NOVA SCOTIA

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for the fiscal year ended March 31, 2016

The Honourable Randy Delorey
Minister of Finance and Treasury Board

NOVA SCOTIA

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Province of Nova Scotia Public Accounts

Volume 1 – Consolidated Financial Statements

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Message from the Minister

The Province of Nova Scotia reported a deficit of $10.7 million in its Public Accounts for the year ended March 31, 2016. This deficit was $86.9 million lower than the budgeted deficit of $97.6 million and $133.0 million lower than the prior year's deficit.

Government is working to manage revenues and control expenses where it can in order to invest in the priorities of Nova Scotians, such as health care and education. Departments are showing spending restraint as we work to keep controllable expenses on track. I am pleased that progress continues to be made towards meeting our goal of a sustainable balanced budget.

Total consolidated revenues were $10.94 billion, an increase of $164.6 million from estimate primarily due to higher than expected revenues from income taxes, provincial recoveries, net income from government business enterprises, and other revenues generated by the Province's governmental units.

Total expenses on a consolidated basis were $10.95 billion, an increase of $77.7 million from estimate mainly due to costs to establish the new Nova Scotia to Portland ferry, as reported in the final forecast issued in April 2016, and the requirement to record additional liabilities for contaminated sites. These increases were partially offset by savings from delays in projects and lower than expected requests for certain services.

The Province's Net Debt as at March 31, 2016 was $15.1 billion. Nova Scotia's growth in real GDP was 0.8 per cent in the calendar year 2015 and an expected 1.3 per cent in the calendar year 2016. Net Debt as a percentage of nominal GDP for 2015-16 was 37.9 per cent, 0.6 percentage points lower than the prior year.

Detailed analysis of these results is contained within this document.

These consolidated financial statements are in accordance with generally accepted accounting principles for the public sector and have received an unqualified opinion from the Auditor General of Nova Scotia.

Honourable Randy Delorey
Minister of Finance and Treasury Board

NOVA SCOTIA

Financial Statement Discussion and Analysis

for the fiscal year ended March 31, 2016

Public Accounts

In accordance with the *Finance Act*, the Minister of Finance and Treasury Board for the Province of Nova Scotia (Province) produces the Public Accounts annually to report on the operating results and financial condition of the Province. Volume 1 of the Public Accounts includes general purpose financial statements meant to meet the needs of a variety of users. They are prepared on a consolidated basis, meaning that they include the financial information of the departments of government as well as crown corporations, boards, and other entities owned or controlled by the Province.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector. For purposes of the Province's financial statements, this refers to the Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other accounting standards of CPA Canada and the International Federation of Accountants.

The 2016 Public Accounts *Volume 1 – Consolidated Financial Statements* commences with the Financial Statement Discussion and Analysis (FSD&A) section. The FSD&A is a reporting practice recommended by PSAB, and responsibility for its preparation rests with management. This section presents comparative financial highlights of the consolidated financial statements including all the entities owned or controlled by the government, as well as selected financial highlights of the General Revenue Fund itself. The FSD&A also includes an overview of the provincial debt and the Nova Scotia economy. The government is responsible for the integrity, objectivity, and fair presentation of the information in the FSD&A. The Controller prepares the FSD&A in accordance with PSAB guidance on behalf of the Minister and the Deputy Minister of Finance and Treasury Board.

The General Revenue Fund is the level at which the annual estimates are prepared in detail for approval by the government. Therefore, the selected highlights of the General Revenue Fund include more detailed information and budget-to-actual analysis on revenues, expenses, tangible capital assets, additional appropriations, and debt servicing costs. The General Revenue Fund is comprised of all departments and public service units of the Nova Scotia provincial government, excluding other governmental units (GUs) and government business enterprises (GBEs) owned or controlled by the Province and government partnership arrangements (GPAs).

There are two additional publications in the Public Accounts suite of annual financial reports. *Volume 2 – Entities and Funds* is a collection of the audited financial statements of various agencies, boards, commissions, other GUs, GBEs, GPAs, and special purpose funds. *Volume 3 – Supplementary Information* is produced in accordance with the *Finance Act* as a record of the payments made by the General Revenue Fund in the fiscal year for salaries, travel, grants, and other expenses.

Presentation of Estimates

The annual budget, referred to as the Estimates, represents the financial plan of the Province of Nova Scotia in a format that facilitates departmental management of the revenue and expense transactions of the General Revenue Fund, as well as the debate and appropriations process thereon in the House of Assembly.

In order to present comparative Estimates on the Consolidated Statement of Operations and Accumulated Deficits, as well as in the following pages of variance analyses, the original Estimates have been adjusted on a line-by-line basis for consolidation purposes. The table on the subsequent page illustrates how the Consolidation and Accounting Adjustments from the original Estimates are reallocated to gross up the related revenue and expense lines for presentation on the Consolidated Statement of Operations and Accumulated Deficits.

When consolidating the government controlled entities into these financial statements, the Province adjusts the entities' accounting policies to conform with its own so the amounts can be added together on a consistent basis. Also, significant inter-entity transactions are eliminated. For example, grant expense recorded in departmental expenses is eliminated with the corresponding grant revenue in the related entity. This transfer between the two related entities does not increase or decrease the net financial position of the Province on a consolidated basis. After eliminations, the remaining revenues and expenses represent transactions with external parties not controlled by the Province. Only transactions with these outside parties represent the increase and decrease in the Province's financial position.

Reconciliation of Estimates

Adjusted Estimates of the Consolidated Financial Statements

For the year ended March 31, 2016

($ thousands)

	Estimate 2016	Adjustments	Adjusted Estimate 2016
Revenue			
Provincial Sources			
Tax Revenue	5,418,661	—	5,418,661
Other Provincial Revenue	670,828	719,107	1,389,935
Net Income from Government Business Enterprises	352,109	—	352,109
Investment Income	178,580	8,838	187,418
	6,620,178	727,945	7,348,123
Federal Sources	3,299,830	125,024	3,424,854
Total Revenue	9,920,008	852,969	10,772,977
Expenses			
Departmental Expenses			
Agriculture	61,536	3,452	64,988
Business	114,143	22,129	136,272
Communities, Culture and Heritage	61,837	2,386	64,223
Community Services	915,410	127,430	1,042,840
Education and Early Childhood Development	1,244,607	316,931	1,561,538
Energy	30,160	1,698	31,858
Environment	25,343	48,364	73,707
Finance and Treasury Board	14,415	—	14,415
Fisheries and Aquaculture	9,883	301	10,184
Health and Wellness	4,137,741	233,708	4,371,449
Internal Services	180,300	2,309	182,609
Justice	327,593	2,308	329,901
Labour and Advanced Education	362,931	53,347	416,278
Assistance to Universities	376,084	—	376,084
Municipal Affairs	167,474	7,614	175,088
Natural Resources	82,983	4,609	87,592
Public Service	200,947	2,286	203,233
Seniors	1,496	—	1,496
Transportation and Infrastructure Renewal	419,277	450	419,727
Restructuring Costs	175,853	—	175,853
	8,910,013	829,322	9,739,335
Refundable Tax Credits	150,968	—	150,968
Pension Valuation Adjustment	90,654	—	90,654
Debt Servicing Costs	872,612	16,983	889,595
Total Expenses	10,024,247	846,305	10,870,552
	(104,239)	6,664	(97,575)
Consolidation and Accounting Adjustments			
General Revenue Fund Consolidation Adjustments	11,435	(11,435)	—
Special Purpose Funds	(1,769)	1,769	—
Other Organizations	(3,002)	3,002	—
Total Adjustments	6,664	(6,664)	—
Provincial Deficit	(97,575)	—	(97,575)

Economic Highlights

In advance of receiving results of actual tax revenues collected, the Province relies on economic forecasts and known relationships with historical administrative tax data to estimate tax revenues. Nominal Gross Domestic Product (GDP) is the broadest measure of the potential tax base, and subcomponents of nominal GDP provide indications of growth in specific tax bases including household income, consumer expenditures, and residential construction.

The Province's economic outlook published as part of the 2016-17 Budget Assumptions used data and information up to January 22, 2016. The 2015-16 Public Accounts incorporates a revised economic outlook based on data up to May 31, 2016. Information revealed beyond this date may not be fully reflected in this forecast and will be incorporated in future economic outlooks.

Provincial Economic Outlook: 2015 and 2016

(Per cent change, except where noted)	2016-17 Budget Assumptions		2015-16 Public Accounts	
	2015	**2016**	**2015**	**2016**
Real GDP ($ 2007 chained)	0.8%	0.9%	0.8%	1.3%
Nominal GDP	2.1%	2.5%	1.8%	2.9%
Compensation of Employees	2.2%	2.5%	2.2%	2.7%
Household Income	2.5%	2.5%	2.4%	2.5%
Household Final Consumption	2.0%	2.7%	2.1%	2.6%
Retail Sales	—	1.2%	^ -0.6%	1.4%
Consumer Price Index	^ 0.4%	1.5%	^ 0.4%	1.6%
Investment in Residential Structures	11.3%	3.1%	6.8%	2.0%
Net Operating Surplus: Corporations	-0.9%	2.9%	-2.5%	1.8%
Exports of Goods to Other Countries	0.4%	4.7%	1.9%	4.9%
Population at July 1 (thousands)	^ 943.0	945.3	^ 943.0	945.3
Employment (thousands)	^ 448.1	450.8	^ 448.1	449.3
Unemployment Rate, Annual Average	^ 8.6%	8.4%	^ 8.6%	8.5%

^ ~ *Actual*

External Conditions

The global economy grew at a subdued pace in 2015. Output from developing economies decelerated for a fifth consecutive year. Advanced economies continued with modest recoveries. Lower energy and commodity prices led to recessions in several commodity-producing countries, but this also led to better terms of trade for commodity importers.

China's economy is shifting towards growth based on domestic consumption and away from investment in production facilities, which had previously driven China's rapid import growth. The Euro Area and Japan took further measures to ease monetary policy further in 2015, including negative interest rates on central bank reserve accounts. Global growth is expected to remain modest in 2016, with the International Monetary Fund forecasting 3.2 per cent in 2016 after growth of 3.1 per cent in 2015.

Introduction

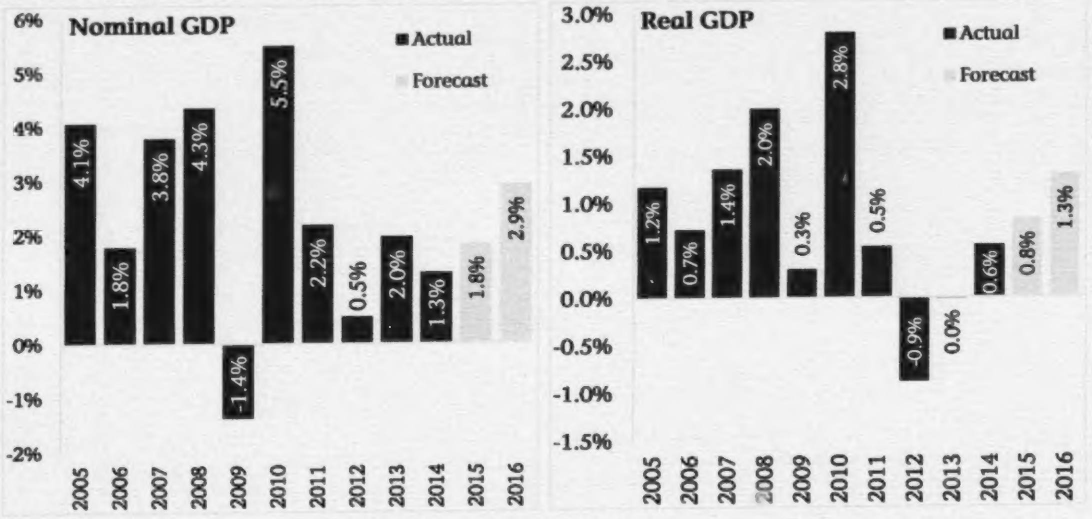
Over the past four quarters, US real GDP growth has slowed, reaching 1.1 per cent (annualized rate) in the first quarter of 2016. Household spending and the residential sector continue to strengthen while business investment softens, particularly in the energy sector. Net trade has also been a drag on growth because of an appreciating US dollar and weaker growth in export destinations. Although labour market conditions continue to improve, the pace of recovery has slowed. In December, the US Federal Reserve lifted the federal funds rate target by 0.25 of a percentage point to between 0.25 to 0.50 per cent. The Federal Reserve expects that only gradual increases will be necessary to maintain moderate growth and return inflation to target.

Falling energy prices led to a recession over the first half of 2015 in Canada. The decline was concentrated in the commodity sector and associated regions. Economic growth has returned in recent quarters with the economy expanding 2.4 per cent (annualized) in the first quarter of 2016. Canada's adjustment to the oil price shock depends on a depreciated currency, accommodative monetary and financial conditions, and planned fiscal stimulus. Non-energy exports and household spending will continue to support growth in 2016. Nevertheless, slack in the economy is expected to persist through 2016, warding off the need for imminent monetary tightening.

Nova Scotia Economic Performance and Outlook

The preliminary data for 2015 real GDP growth (by industry at basic prices) shows the Nova Scotia economy expanded by 0.8 per cent. The goods-producing sector grew for the first time since 2010 with output higher in the agriculture, forestry, fishing and hunting, as well as manufacturing sectors. Higher exports and shipbuilding production lifted these sectors. Contributions to growth also occurred from owner-occupied dwellings and to a lesser extent retail trade, wholesale trade, transportation and warehousing, and finance and insurance. Lower natural gas output led to a decline in mining, quarrying and oil, and gas extraction. Construction activity was a net drag on growth as engineering construction activity offset higher residential and non-residential building construction.

Nova Scotia Economic Outlook
(Gross Domestic Product growth)



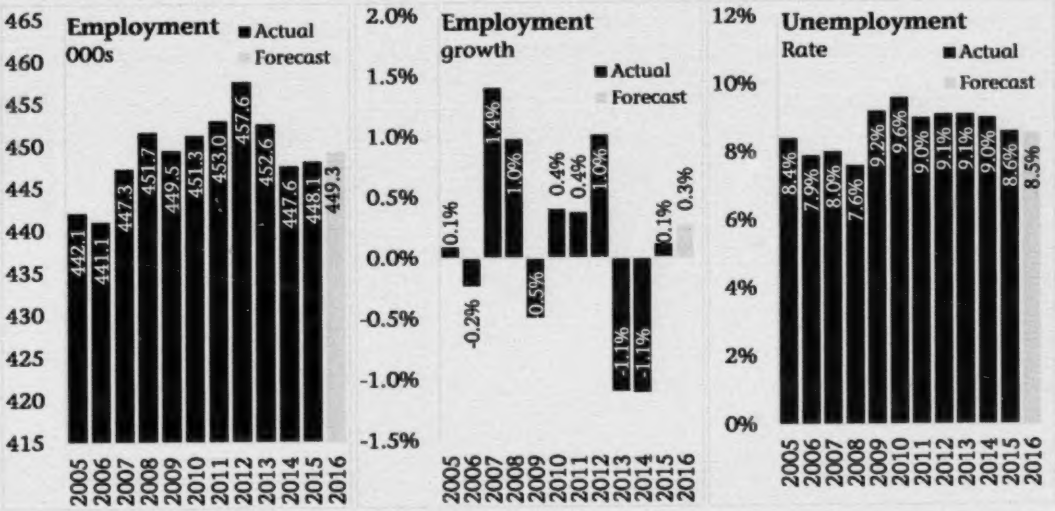
Source: Statistics Canada, CANSIM table 384-0038; Nova Scotia Department of Finance and Treasury Board projections

For 2016, the first full year of shipbuilding activity and major project investments in the convention centre, Macdonald Bridge redecking, Maritime Link, and federal fiscal stimulus measures should support slightly faster growth. The continued expansion of the US economy and a competitive Canadian dollar are expected to support non-energy exports and tourism sectors. A looser Canadian labour market should minimize demographic and wage pressure in the short term, keeping labour income and consumption on a moderate upward trend.

Nova Scotia Employment and Labour Force

Demographic pressures, such as out-migration and aging, and slower economic growth led to the third annual decline in the labour force in 2015 (-0.3 per cent). Rising employment (+0.1 per cent) combined with the labour force decline reduced the unemployment rate to 8.6 per cent. Over the first five months of 2016, employment and labour force have seen modest declines compared to the same period last year.

Labour Markets
(Employment, Employment growth, Unemployment Rate)



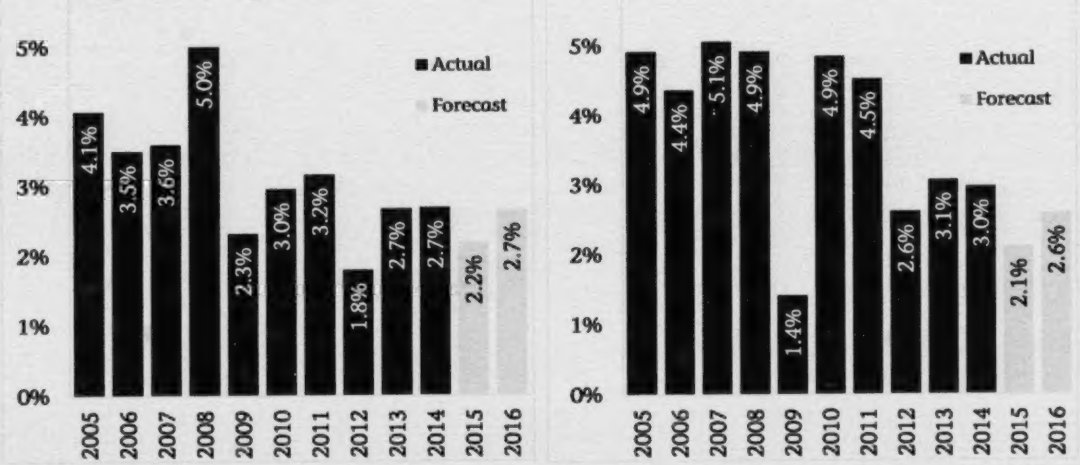
Source: Statistics Canada, CANSIM table 282-0002; Nova Scotia Department of Finance and Treasury Board projections

Nova Scotia Employee Compensation and Household Consumption

Employee compensation increased by 2.2 per cent in 2015, a pace that is slower than the average of 2.7 per cent per year from 2010 to 2014. Declines in compensation were limited to a few sectors: mining and oil, gas extraction, military, as well as public administration. In the first quarter of 2016, compensation of employees grew by 2.4 per cent from the same period in 2015.

Consumer spending is the key driver of HST revenue. With household income and price growth below historical trends in 2015, nominal household consumption growth is estimated at 2.1 per cent. Retail sales, which are only a portion of consumption, declined 0.6 per cent in 2015 as falling oil prices reduced spending at gasoline stations. Other retail categories reported 2.5 per cent growth. For 2016, household consumption is expected to grow by 2.6 per cent.

Compensation and Consumption
(Growth rate, nominal)


Employee Compensation

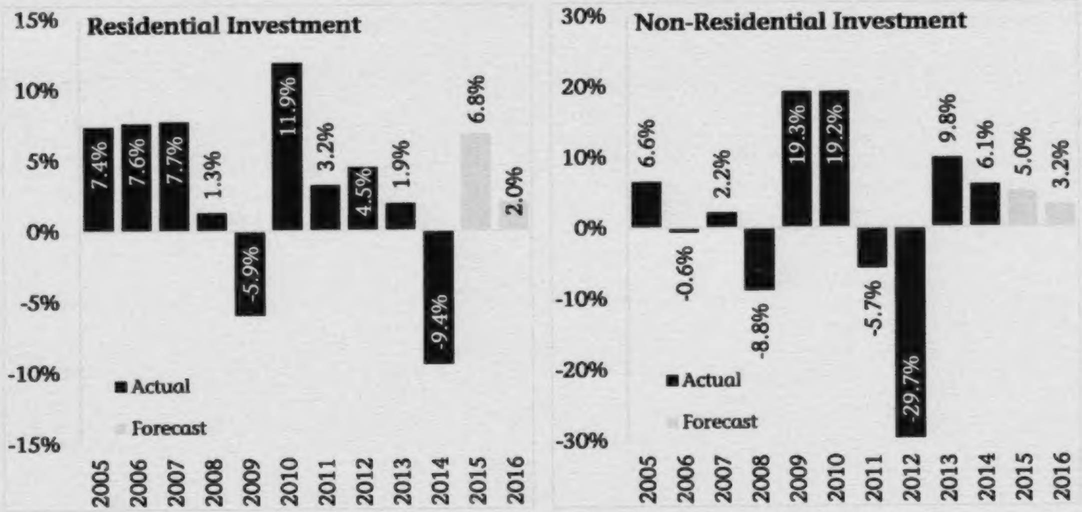
Household Consumption

Source: Statistics Canada, CANSIM tables 384-0037 and 384-0038; Nova Scotia Department of Finance and Treasury Board projections

Nova Scotia Construction Investments

Residential construction activity rebounded in 2015, growing 6.8 per cent. Investments in several multi-unit buildings commenced. Activity on these projects should continue to support growth in 2016, even though building permits and housing starts declined in the first quarter of 2016.

Investment
(Growth rate, nominal)


Residential Investment

Non-Residential Investment

Source: Statistics Canada, CANSIM table 384-0038; Nova Scotia Department of Finance and Treasury Board projections

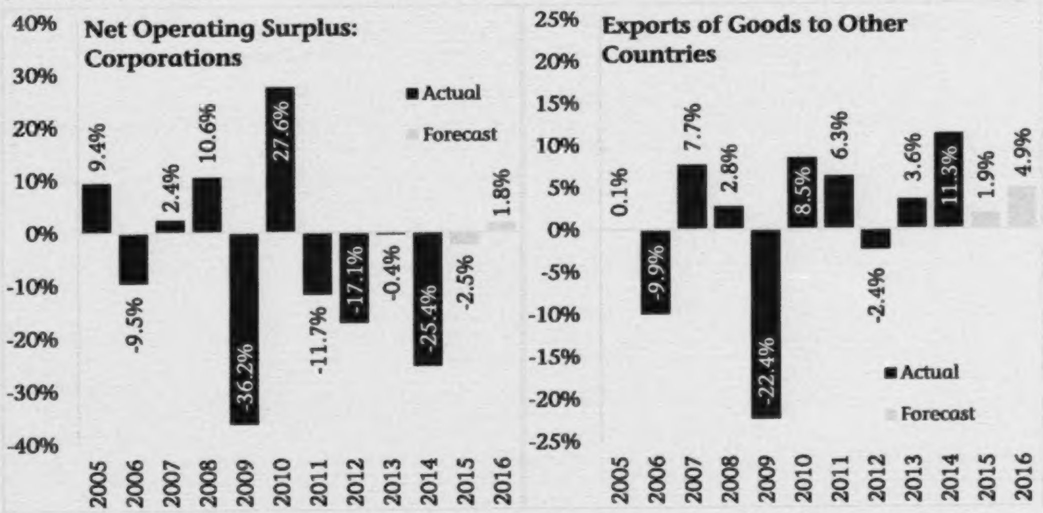
Non-residential building construction increased in 2015 with construction of industrial and commercial buildings. The beginning of federal stimulus projects in late 2016 is expected to provide a lift to investment.

Nova Scotia Exports and Profits

International merchandise exports expanded 1.8 per cent in 2015. Energy exports fell sharply with falling natural gas production as Deep Panuke shifted to a seasonal operation with lower reserves. Output from the Sable field continues to decline and more of Nova Scotia gas production is being used within Canada rather than being internationally exported. Non-energy exports grew 13.4 per cent with notable gains in seafood, metal ores and non-metallic mineral products, forestry products and building and packing material, tires, and consumer goods. Non-energy exports have maintained momentum in 2016 and will help drive growth of 4.9 per cent in exports of goods to other countries in 2016.

Between 2010 and 2014, net operating surplus of corporations declined 45 per cent. In 2015 and 2016, corporate net operating surplus is expected to be stable around its current level.

Profits and Exports
(Growth rate, nominal)



Source: Statistics Canada, CANSIM table 384-0037 and 384-0038; Nova Scotia Department of Finance and Treasury Board projections

Risks and Adjustments

Although these economic indicators for 2015 and 2016 form the basis for the final revenues presented in the 2015-16 Public Accounts, they are still projections. Further economic and administrative data relating to 2015 and 2016 are expected in the future. New data may result in adjusted revenues in respect to the taxation years reported in this document. Such changes will be reflected in subsequent fiscal years as prior years' adjustments.

In 2015, Statistics Canada revised its previous estimates of Nova Scotia's economic accounts. Among provinces, Nova Scotia had the largest negative revision to its GDP, particularly in exports and investments. As a result of this and other conceptual changes for measuring the provincial economy, Nova Scotia's overall nominal GDP has averaged 1.4 per cent below previous estimates over the 2011 to 2013 period. This restatement of GDP alters key fiscal ratios such as net debt expressed as a percentage of GDP.

Nova Scotia Key Economic Indicators

($ millions current, unless otherwise indicated)		ACTUAL				FORECAST	
		2011	**2012**	**2013**	**2014**	**2015**	**2016**
Nominal GDP at Market Prices		37,652	37,835	38,576	39,077	39,791	40,952
	% Change	*2.2%*	*0.5%*	*2.0%*	*1.3%*	*1.8%*	*2.9%*
Real GDP at Market Prices *($ millions, chained 2007)*		35,884	35,567	35,562	35,758	36,051	36,519
	% Change	*0.5%*	*-0.9%*	–	*0.6%*	*0.8%*	*1.3%*
Compensation of Employees		19,986	20,346	20,891	21,454	21,923	22,504
	% Change	*3.2%*	*1.8%*	*2.7%*	*2.7%*	*2.2%*	*2.7%*
Household Income		35,668	36,686	37,901	39,007	39,960	40,944
	% Change	*3.4%*	*2.9%*	*3.3%*	*2.9%*	*2.4%*	*2.5%*
Household Final Consumption Expenditure		26,223	26,909	27,736	28,561	29,164	29,918
	% Change	*4.5%*	*2.6%*	*3.1%*	*3.0%*	*2.1%*	*2.6%*
Retail Sales		13,098	13,223	13,605	13,915	13,827	14,023
	% Change	*3.5%*	*1.0%*	*2.9%*	*2.3%*	*-0.6%*	*1.4%*
Consumer Price Index *(all items, Index 2002 = 100)*		122.7	125.1	126.6	128.8	129.3	131.3
	% Change	*3.8%*	*2.0%*	*1.2%*	*1.7%*	*0.4%*	*1.6%*
Business Gross Fixed Capital Formation: Residential		2,595	2,711	2,763	2,502	2,672	2,726
	% Change	*3.2%*	*4.5%*	*1.9%*	*-9.4%*	*6.8%*	*2.0%*
Business Gross Fixed Capital Formation: Non-Residential, Machinery, and Equipment		3,388	2,382	2,616	2,775	2,915	3,008
	% Change	*-5.7%*	*-29.7%*	*9.8%*	*6.1%*	*5.0%*	*3.2%*
Net Operating Surplus: Corporations		2,755	2,284	2,274	1,697	1,655	1,685
	% Change	*-11.7%*	*-17.1%*	*-0.4%*	*-25.4%*	*-2.5%*	*1.8%*
Exports of Goods and Services		15,389	15,197	15,338	15,377	15,755	16,177
	% Change	*6.2%*	*-1.2%*	*0.9%*	*0.3%*	*2.5%*	*2.7%*
Exports of Goods to Other Countries		5,868	5,727	5,932	6,603	6,729	7,057
	% Change	*6.3%*	*-2.4%*	*3.6%*	*11.3%*	*1.9%*	*4.9%*
Imports of Goods and Services		25,985	25,618	26,332	26,756	27,673	28,520
	% Change	*8.3%*	*-1.4%*	*2.8%*	*1.6%*	*3.4%*	*3.1%*
Population *(all ages, thousands at July 1)*		944.5	944.8	943.0	942.4	943.0	945.3
	% Change	*0.3%*	–	*-0.2%*	*-0.1%*	*0.1%*	*0.2%*
Population *(ages 18-64, thousands at July 1)*		618.9	615.3	609.8	605.6	601.9	600.6
	% Change	*0.1%*	*-0.6%*	*-0.9%*	*-0.7%*	*-0.6%*	*-0.2%*
Labour Force *(thousands)*		497.9	503.5	497.7	491.6	490.2	491.2
	% Change	*-0.2%*	*1.1%*	*-1.2%*	*-1.2%*	*-0.3%*	*0.2%*
Participation Rate *(per cent)*		63.9%	64.4%	63.7%	62.8%	62.4%	62.4%
	Change	*-0.4%*	*0.5%*	*-0.7%*	*-0.9%*	*-0.4%*	–
Employment *(thousands)*		453.0	457.6	452.6	447.6	448.1	449.3
	% Change	*0.4%*	*1.0%*	*-1.1%*	*-1.1%*	*0.1%*	*0.3%*
Employment Rate *(per cent)*		58.1%	58.5%	57.9%	57.2%	57.0%	57.0%
	Change	*-0.1%*	*0.4%*	*-0.6%*	*-0.7%*	*-0.2%*	–
Unemployment Rate *(per cent)*		9.0%	9.1%	9.1%	9.0%	8.6%	8.5%
	Change	*-0.6%*	*0.1%*	–	*-0.1%*	*-0.4%*	*-0.1%*

Unless otherwise indicated, the analysis included in the Economic Highlights section is based on the calendar year, not the fiscal year.

NOVA SCOTIA

FINANCIAL HIGHLIGHTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2016

Financial Highlights

($ thousands)

	Adjusted Estimate 2016	Actual 2016	Actual 2015
Consolidated Statement of Operations			
For the fiscal year ended March 31			
Total Revenue	10,772,977	10,937,550	10,661,920
Total Expenses	10,870,552	10,948,208	10,805,613
Provincial Deficit	(97,575)	(10,658)	(143,693)
Consolidated Statement of Financial Position			
As at March 31			
Financial Assets		4,239,611	4,052,277
Liabilities		19,336,545	19,082,892
Net Debt		(15,096,934)	(15,030,615)
Non-Financial Assets		5,813,348	5,757,687
Accumulated Deficits		(9,283,586)	(9,272,928)

Provincial Deficit

The provincial deficit is the net financial result of the year's operations. For the fiscal year ending March 31, 2016, total revenue was $10.94 billion (2015 - $10.66 billion) and total expenses were $10.95 billion (2015 – $10.81 billion). The resulting provincial deficit was $10.7 million, which was $86.9 million lower than the budgeted deficit of $97.6 million and $133.0 million lower than the prior year's deficit.

Net Debt

Net debt is the difference between the Province's total liabilities and its financial assets. Net debt represents the amount of liabilities to be funded from future revenues, including taxation. Net debt increased by $66.3 million to $15.1 billion as a result of the $10.7 million provincial deficit, $37.5 million net investment in tangible capital assets (acquisition costs less amortization expense and disposals for the year), and $18.1 million increase in other non-financial assets.

Accumulated Deficits

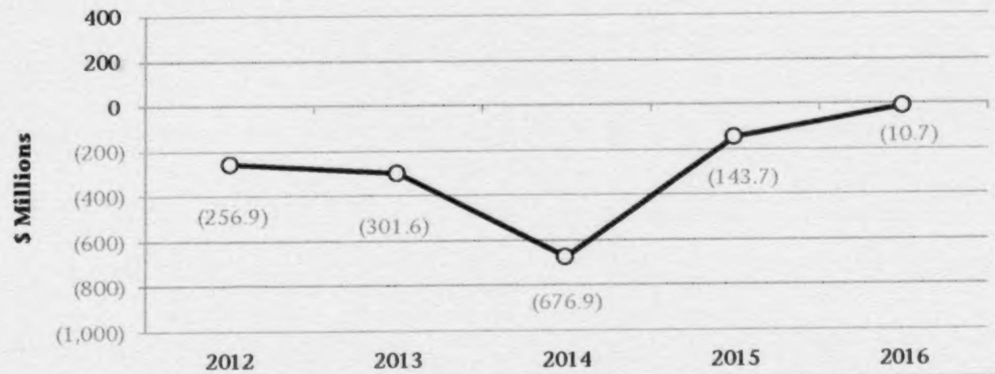
Accumulated deficits represent the difference between the Province's total liabilities and both financial and non-financial assets. Further, it is the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. The accumulated deficits increased to $9.3 billion at March 31, 2016 as a result of the deficit of $10.7 million. Under Canadian generally accepted accounting principles (GAAP) for the public sector, a year-end deficit increases accumulated deficits.

Provincial Deficit

The main purpose of the Consolidated Statement of Operations and Accumulated Deficits is to report the Province's revenues and expenses for the year ended March 31, 2016 and the comparative fiscal year.

The Province of Nova Scotia reported the following net results over the past five years:

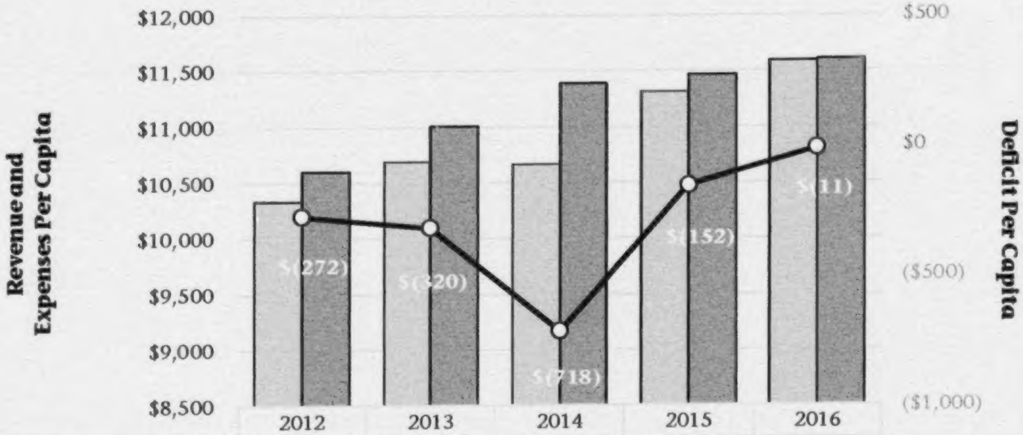
Provincial Deficit - 5 Year Trend



Revenue and Expenses per Capita

The provincial deficit decreased by $141 on a per capita basis, from $152 per capita in 2015 to $11 per capita in 2016. Per capita information for the past five years is shown in the table below.

Revenue and Expenses per Capita - 5 Year Trend



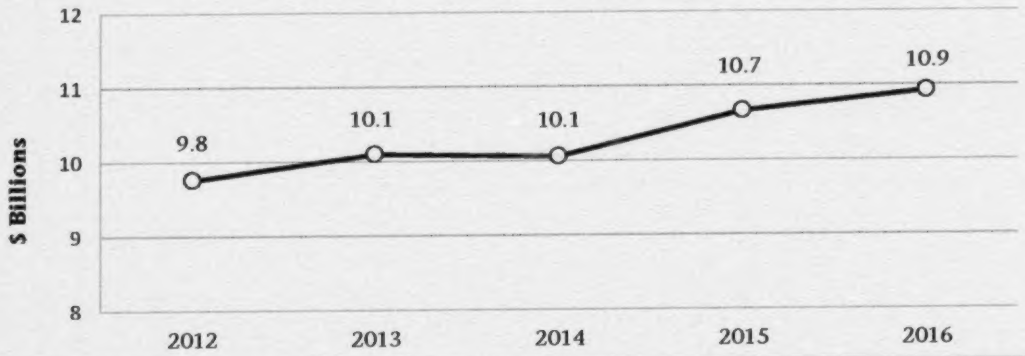
	2012	2013	2014	2015	2016
▭ Revenue	$10,334	$10,694	$10,669	$11,314	$11,599
▬ Expenses	$10,606	$11,014	$11,387	$11,466	$11,610
—○— Surplus (Deficit)	$(272)	$(320)	$(718)	$(152)	$(11)

Revenue

On a consolidated basis, total revenue for the year was $164.6 million higher than estimate and $275.6 million higher than the prior year. Changes in revenue from taxes, petroleum royalties, and most federal contributions were attributable to the General Revenue Fund. The remaining revenues were earned from a variety of sources by the General Revenue Fund and the Province's controlled entities. Additional details on General Revenue Fund revenue variances are provided in the analysis commencing on page 48 of this publication.

Revenue *($ thousands)*	**Adjusted Estimate 2016**	**Actual 2016**	**Actual 2015**	**Actual vs Estimate**	**Actual vs Actual**
Provincial Sources					
Tax Revenue					
Income Taxes	3,018,155	3,046,266	2,877,512	28,111	168,754
Sales Taxes	2,241,321	2,241,100	2,204,395	(221)	36,705
Other Tax Revenue	159,185	170,257	161,031	11,072	9,226
Other Provincial Revenue					
Petroleum Royalties	19,405	(91,752)	33,086	(111,157)	(124,838)
Recoveries	317,269	438,681	406,124	121,412	32,557
Revenue from GUs	469,866	530,594	475,631	60,728	54,963
Municipal Contributions to Regional School Boards	249,241	249,018	241,013	(223)	8,005
Miscellaneous	334,154	345,390	334,140	11,236	11,250
Net Income from GBEs	352,109	387,757	351,395	35,648	36,362
Investment Income					
Interest Revenue	87,869	94,143	93,778	6,274	365
Sinking Fund Earnings	99,549	95,982	103,892	(3,567)	(7,910)
	7,348,123	7,507,436	7,281,997	159,313	225,439
Federal Sources					
Equalization Payments	1,768,921	1,777,759	1,750,653	8,838	27,106
Other Federal Transfers	1,655,933	1,652,355	1,629,270	(3,578)	23,085
	3,424,854	3,430,114	3,379,923	5,260	50,191
Total Revenue	10,772,977	10,937,550	10,661,920	164,573	275,630

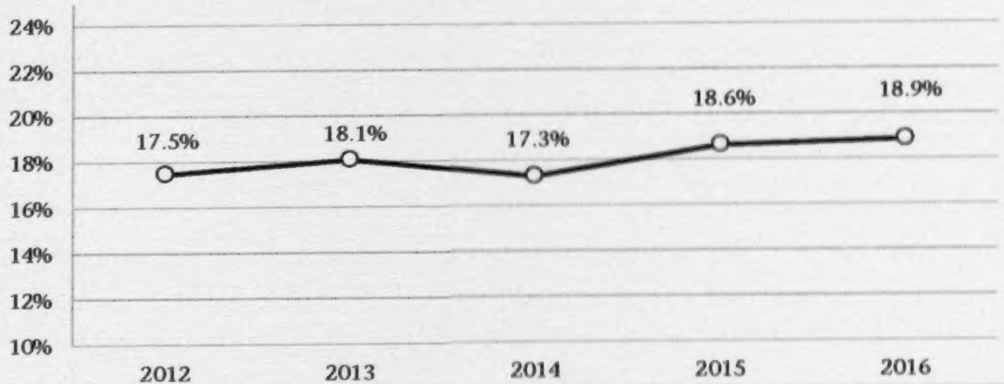
Total Revenue - 5 Year Trend



Own Source Revenue to Gross Domestic Product

This ratio measures the extent to which the Province is deriving income from the provincial economy, either through taxation, user fees, recoveries, or other revenue. Own source revenue as a percentage of nominal gross domestic product (GDP) has remained relatively stable over the last five years, ranging from a low of 17.3 per cent in 2014 to a high of 18.9 per cent in 2016, meaning that the Province has not significantly changed its demands on the provincial economy during this time.

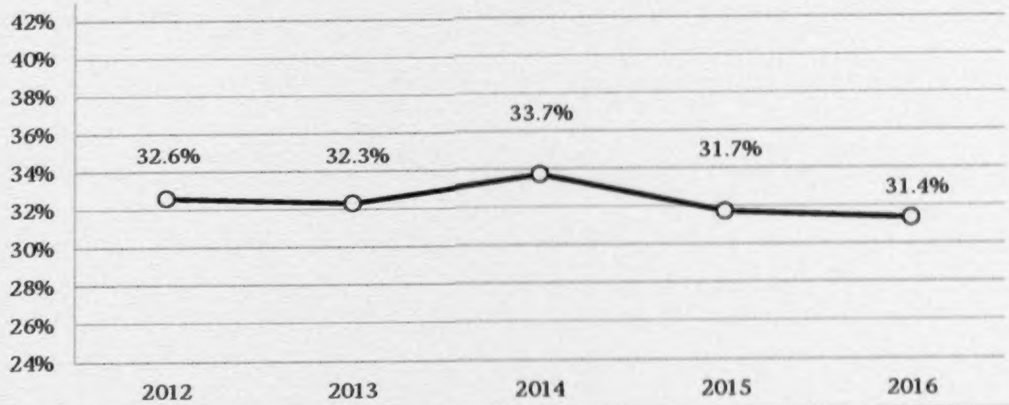
Own Source Revenue to GDP - 5 Year Trend



Federal Transfers to Total Revenue

This ratio measures the extent of funding from the federal government. These transfers are dependent on policy decisions at the federal level and are generally outside the control of the provincial government. Federal transfers as a percentage of total revenue decreased 0.3 percentage points from the previous year to 31.4 per cent. The percentage of federal transfers to total revenue remained relatively consistent for the Province over the past five years, ranging from a low of 31.4 per cent in 2016 to a high of 33.7 per cent in 2014.

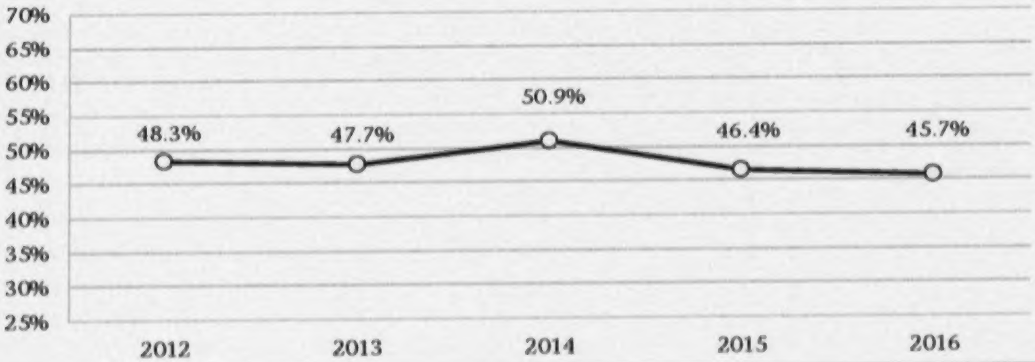
Federal Transfers to Total Revenue - 5 Year Trend



Federal Transfers to Own Source Revenue

This ratio measures the extent to which the Province raises its own revenue from within the province as compared to the amount it receives from the federal government. Federal transfers as a percentage of own source revenue decreased 0.7 percentage points from the previous year to 45.7 per cent. The percentage of federal transfers to own source revenue over the past five years ranged from a low of 45.7 per cent in 2016 to a high of 50.9 per cent in 2014.

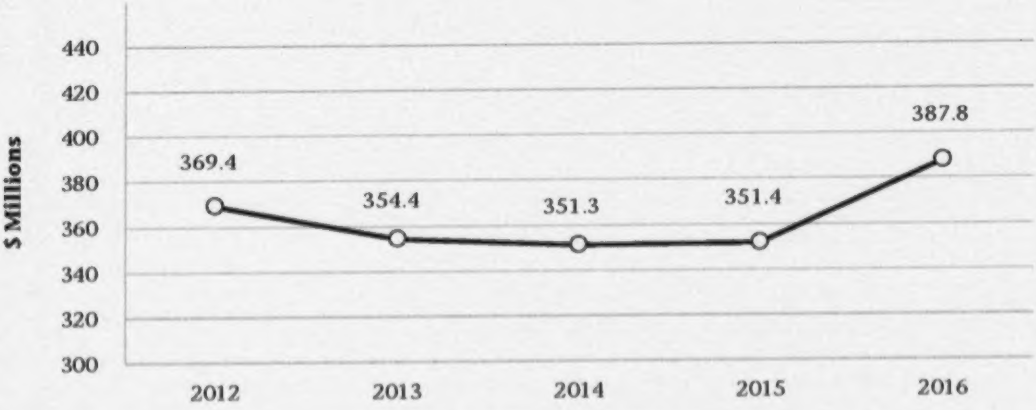
Federal Transfers to Own Source Revenue - 5 Year Trend



Net Income from Government Business Enterprises

Net income from government business enterprises (GBEs) increased by $36.4 million from the previous year to $387.8 million. Net income from Nova Scotia Liquor Corporation (NSLC) increased by $13.3 million mainly due to increased sales of $16.5 million or 2.8 per cent. Net income from Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC) increased by $17.5 million mainly due to increases in ticket and video lottery revenues. One of the major contributing factors to the consistency in this revenue source has been the profits derived from the NSLC and NSPLCC.

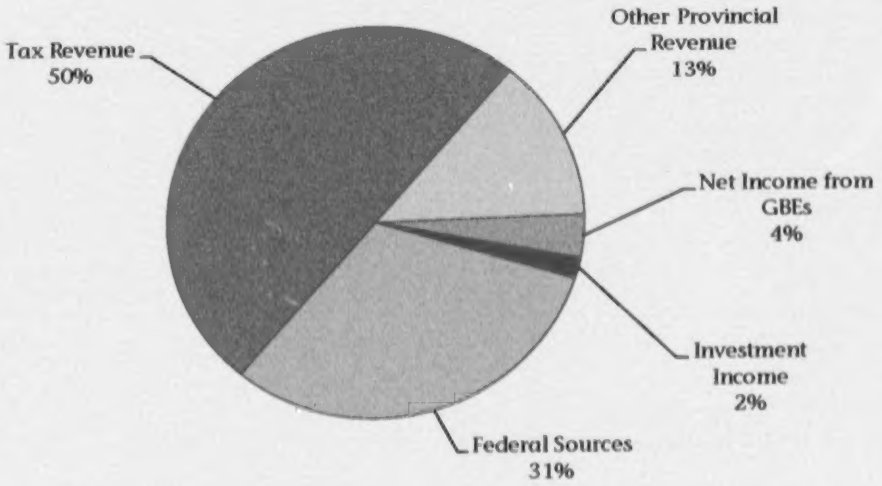
Net Income from GBEs - 5 Year Trend



Revenue by Source

The Province's revenue by major sources remained consistent with the prior year. The related breakdown for 2016 was as follows:

Revenue by Source - 2016



Expenses

The nature of the Province's expenses remained consistent with the prior year. The health and education sectors made up 55.5 per cent of total expenses (2015 – 54.6 per cent). Total expenses were $77.7 million higher than estimate. Health and Wellness, Education and Early Childhood Development, Transportation and Infrastructure Renewal, and Pension Valuation Adjustment expenses were higher than estimate by a combined $208.3 million, and the remaining expenses were below estimate by a combined $130.6 million.

Total expenses were $142.6 million higher than the prior year primarily due to an increase of $154.8 million in Health and Wellness, $62.3 million in Pension Valuation Adjustment, and $21.6 million in Education and Early Childhood Development. These increases were offset by decreases of $28.8 million in Debt Servicing Costs and $67.3 million in other expenses.

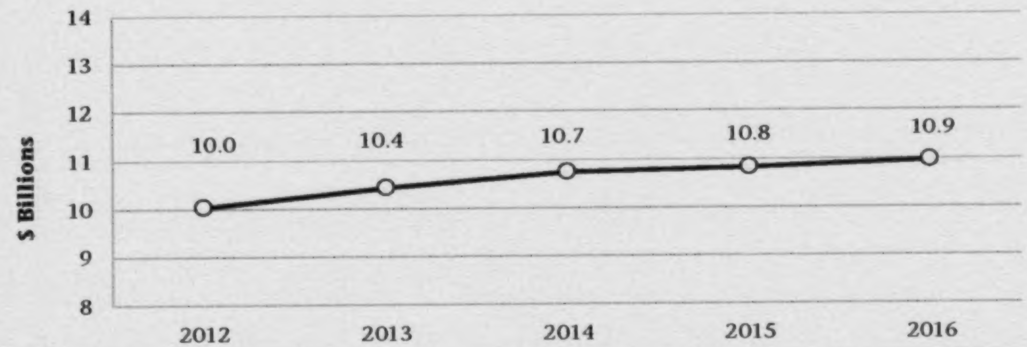
Effective April 1, 2015, the Province discontinued its retirement allowance plans for non-bargaining unit staff. As part of current contract negotiations, the Province has proposed the withdrawal of its retirement allowance plans for unionized staff effective April 1, 2015, and no new members will be admitted into the plans. These benefit changes were reflected in the current year by recognizing a loss on curtailment of $24.2 million and deferred losses of $73.1 million relating to these plans as part of Pension Valuation Adjustment. The Province expects the benefit changes for unionized staff to be ratified in the near future during ongoing contract negotiations.

Additional details on General Revenue Fund expense variances are provided in the analysis commencing on page 54 of this publication.

Expenses
($ thousands)

	Adjusted Estimate 2016	Actual 2016	Actual 2015	Actual vs Estimate	Actual vs Actual
Health and Wellness	4,371,449	4,494,639	4,339,848	123,190	154,791
Education and Early Childhood Development	1,561,538	1,585,540	1,563,948	24,002	21,592
Community Services	1,042,840	1,048,630	1,047,153	5,790	1,477
Labour and Advanced Education and Universities	792,362	778,791	785,799	(13,571)	(7,008)
Transportation and Infrastructure Renewal	419,727	432,977	432,832	13,250	145
Justice	329,901	329,021	322,730	(880)	6,291
Pension Valuation Adjustment	90,654	138,520	76,179	47,866	62,341
Debt Servicing Costs	889,595	869,297	898,053	(20,298)	(28,756)
Other Expenses	1,372,486	1,270,793	1,339,071	(101,693)	(68,278)
Total Expenses	10,870,552	10,948,208	10,805,613	77,656	142,595

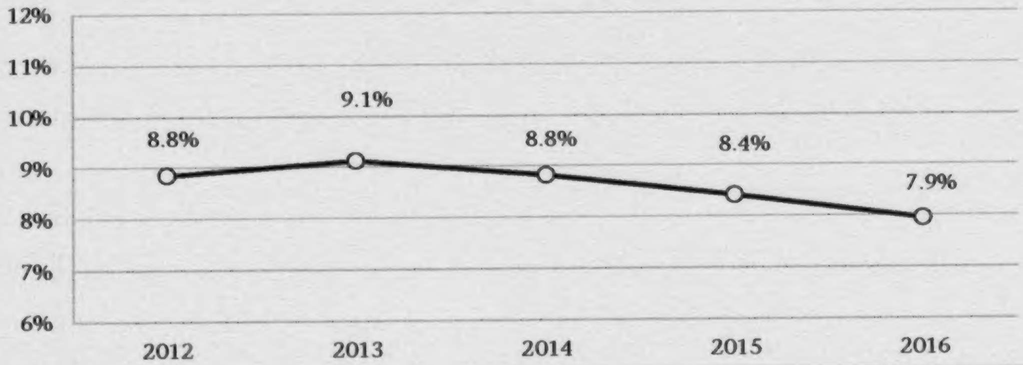
Total Expenses - 5 Year Trend



Debt Servicing Costs to Total Revenue

Debt servicing costs as a percentage of total revenue shows the proportion of every dollar of revenue that is needed to pay interest and thus is not available to pay for program initiatives. A lower ratio means that the Province uses less revenues to meet the interest cost on past borrowings, which provides greater flexibility in meeting financial and service commitments in the current year. The percentage of debt servicing costs to total revenue decreased 0.5 percentage points from the previous year to 7.9 per cent. Over the past five years, the ratio ranged from a low of 7.9 per cent in 2016 to a high of 9.1 per cent in 2013.

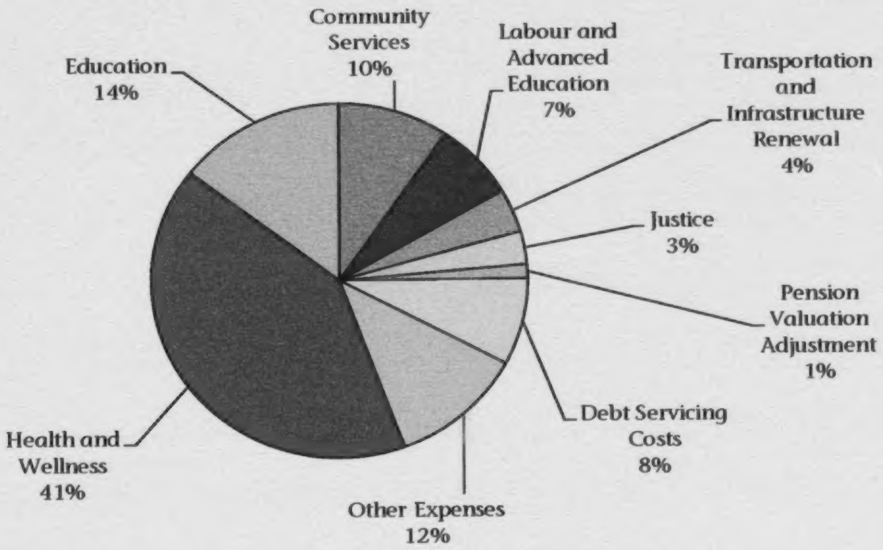
Debt Servicing Costs to Total Revenue - 5 Year Trend



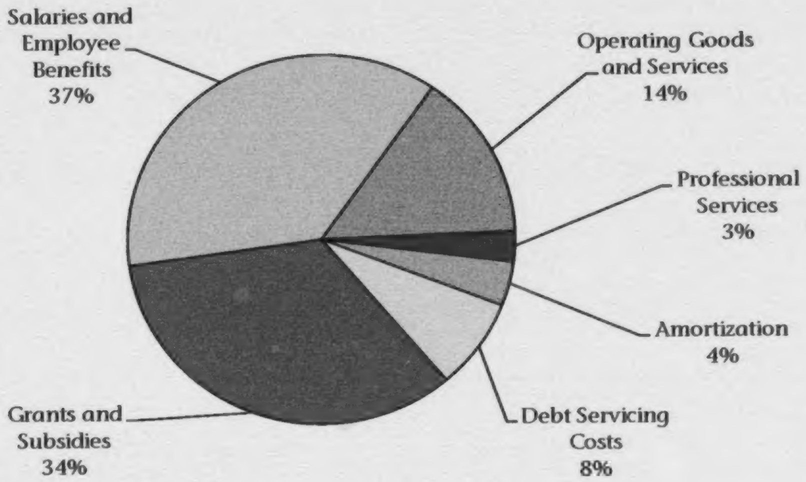
Expenses by Function and by Object

The Province's expenses by major functions and by object remained consistent compared to the prior year. The related breakdowns for 2016 were as follows:

Expenses By Function - 2016



Expenses By Object - 2016



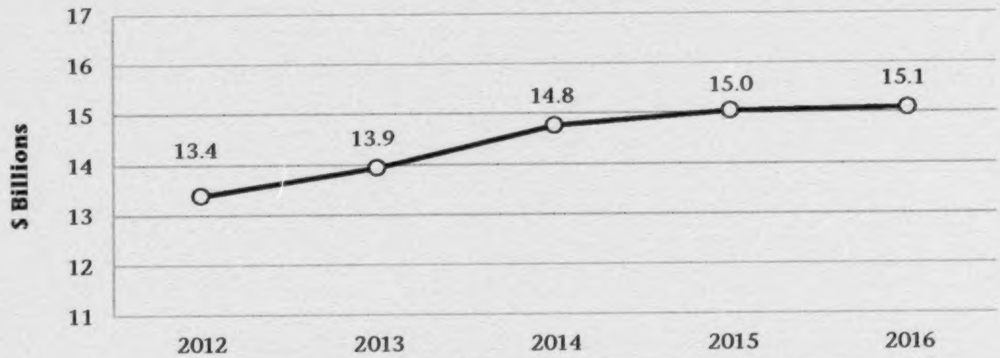
Net Debt

Net debt results when a government's total liabilities exceed total financial assets. Net debt, as reported on the Consolidated Statement of Financial Position, is a key measure of the Province's financial position. Accumulated deficits is a secondary measure.

Net debt is the amount that current and past generations have accumulated through the incurrence of annual deficits and net investments in non-financial assets. Net debt represents the liabilities needed to be funded from future revenues, including taxation. These amounts remain an obligation for future generations to fund through annual surpluses or to continue to carry as debt.

Net debt was $15.1 billion at March 31, 2016, $66.3 million higher than the prior year due to the $10.7 million deficit, $37.5 million in net investments of tangible capital assets, and increases of $14.7 million in supplies inventory and $3.4 million in prepaid expenses. The Province of Nova Scotia reported net debt in the past five years as follows:

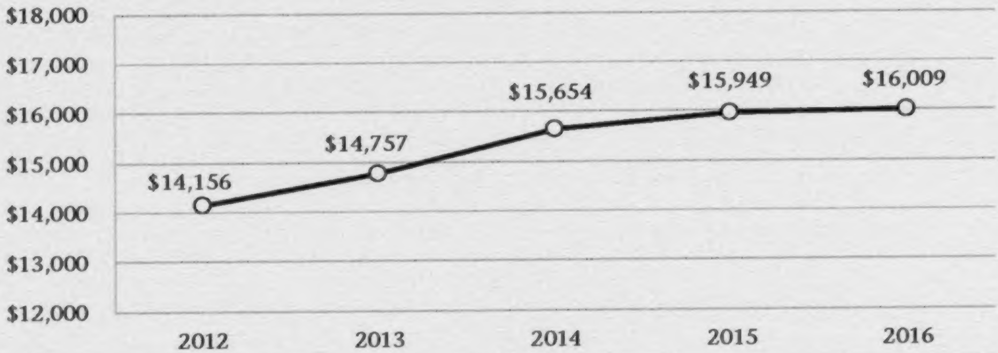
Net Debt - 5 Year Trend



Net Debt per Capita

Net debt increased $60 on a per capita basis from $15,949 in 2015 to $16,009 in 2016. An increase in net debt per capita shows that the Province's debt is increasing at a faster rate than the growth in Nova Scotia's population.

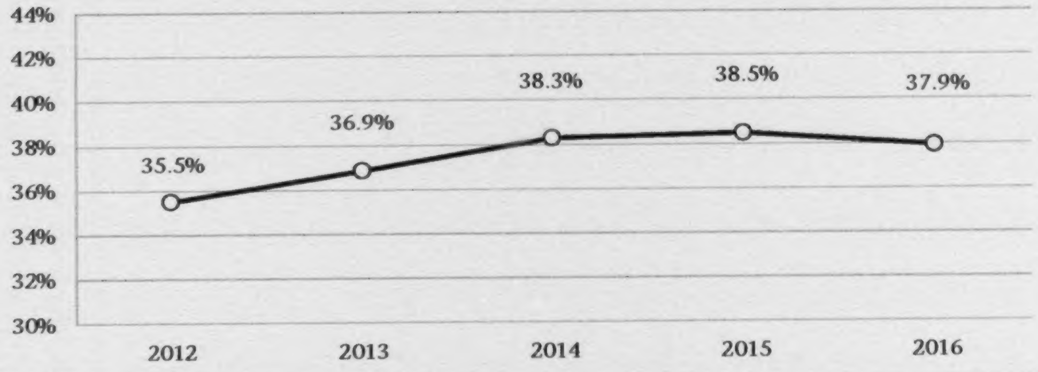
Net Debt per Capita - 5 Year Trend



Net Debt to Gross Domestic Product

Net debt as a percentage of the provincial GDP provides a measure of the level of financial demands placed on the economy by the Province's spending and taxation policies. A higher ratio means the net debt of the Province is more onerous on future generations. This ratio decreased 0.6 percentage points to 37.9 per cent in 2016. Over the past five years, this ratio ranged from a low of 35.5 per cent in 2012 to a high of 38.5 per cent in 2015.

Net Debt to GDP - 5 Year Trend

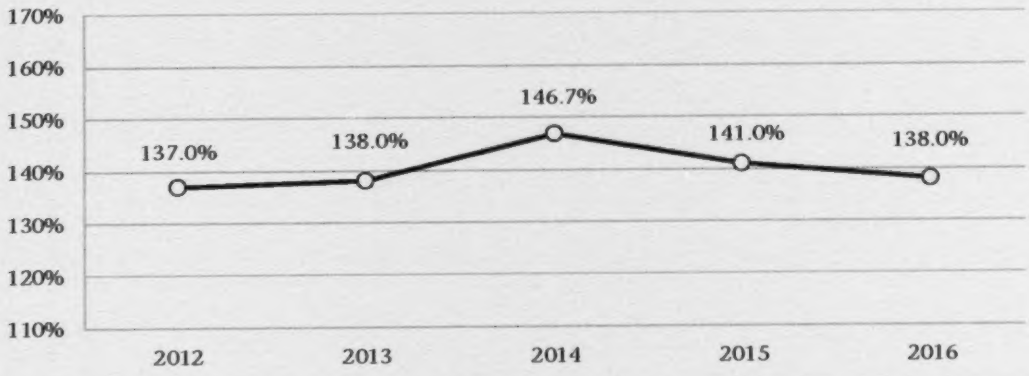


Net Debt to Total Revenue

Net debt provides a measure of the future revenues required to pay for past deficits and investments in non-financial assets. An increasing ratio of net debt to total revenue would indicate that more time is necessary to eliminate net debt.

Net debt as a percentage of total revenue decreased 3.0 percentage points from the previous year to 138.0 per cent. Over the past five years, this ratio ranged from a low of 137.0 per cent in 2012 to a high of 146.7 per cent in 2014.

Net Debt to Total Revenue - 5 Year Trend

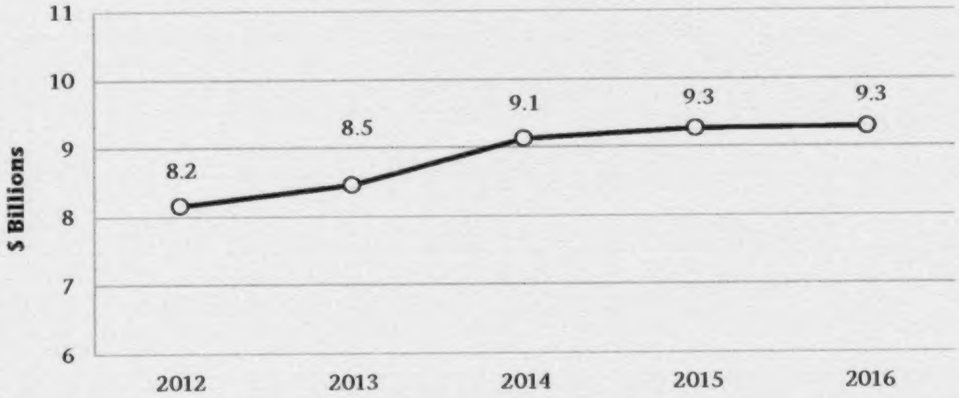


Accumulated Deficits

Accumulated deficits represent the difference between the Province's liabilities and both financial and non-financial assets. Further, they are the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. The accumulated deficits were $9.3 billion at the end of 2016, higher compared to 2015 as a result of the current year's deficit of $10.7 million.

The Province of Nova Scotia reported accumulated deficits in the past five years as follows:

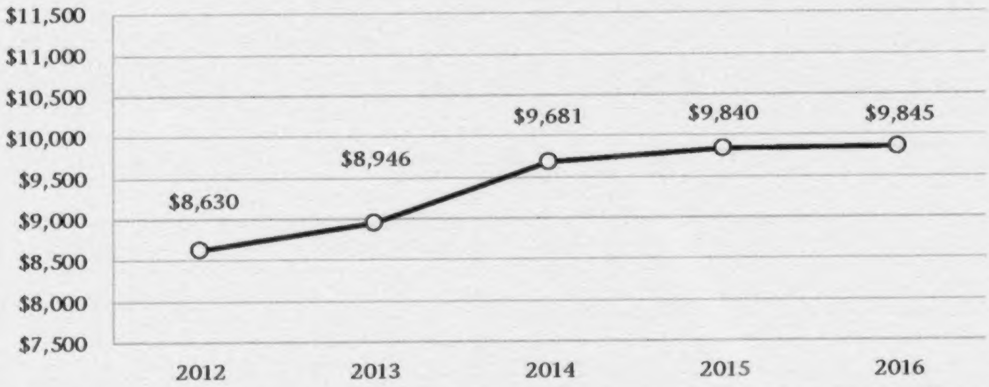
Accumulated Deficits - 5 Year Trend



Accumulated Deficits per Capita

Accumulated deficits increased $5 on a per capita basis from $9,840 in 2015 to $9,845 in 2016. Since 2012, accumulated deficits per capita have increased overall by $1,215.

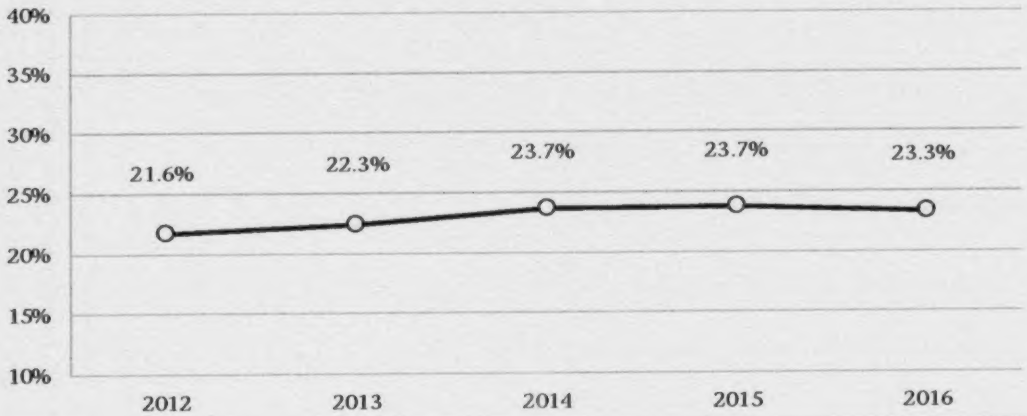
Accumulated Deficits per Capita - 5 Year Trend



Accumulated Deficits to Gross Domestic Product

Accumulated deficits expressed as a percentage of GDP decreased 0.4 percentage points from 23.7 per cent in 2015 to 23.3 per cent in 2016 mainly due to the current year's deficit being offset by the slight growth in GDP. Over the past five years, accumulated deficits to GDP ranged from a low of 21.6 per cent in 2012 to a high of 23.7 per cent in 2014 and 2015. The overall increase in this ratio was 1.7 percentage points since 2012.

Accumulated Deficits to GDP - 5 Year Trend



Financial Assets

Financial assets consist of assets available to discharge existing liabilities or to finance future operations. Financial assets increased $187.3 million over last year to $4.2 billion at March 31, 2016. Cash and Short-Term Investments increased by $97.3 million as a result of the operating, investing, capital, and financing activities explained on page 43. Accounts Receivable were $62.9 million higher than the prior year.

Loans Receivable increased from last year by $28.1 million mainly due to additional lending net of repayments by the Nova Scotia Jobs Fund of $74.3 million relating to previous commitments and an increase of $4.3 million in the loan portfolio of Nova Scotia Municipal Finance Corporation. These were offset by decreases in the loan portfolio of Nova Scotia Strategic Opportunities Fund of $24.9 million, Housing Nova Scotia of $17.7 million, and a net decrease in other loan portfolios of $7.9 million.

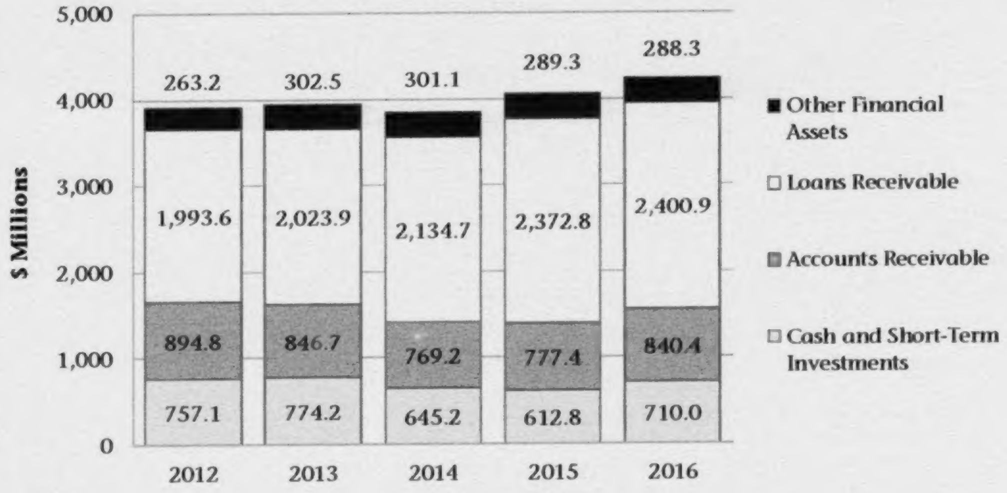
Other Financial Assets decreased by $1.0 million due to a decrease in Investments of $31.9 million and Inventories for Resale of $0.3 million, offset by an increase in Investment in GBEs of $31.2 million.

Financial Assets

($ thousands)

	Actual 2016	% of Total	Actual 2015	% of Total	Variance Increase (Decrease)
Cash and Short-Term Investments	710,041	16.8%	612,762	15.1%	97,279
Accounts Receivable	840,380	19.8%	777,431	19.2%	62,949
Loans Receivable	2,400,924	56.6%	2,372,800	58.6%	28,124
Other Financial Assets	288,266	6.8%	289,284	7.1%	(1,018)
Total Financial Assets	4,239,611	100.0%	4,052,277	100.0%	187,334

Financial Assets - 5 Year Trend



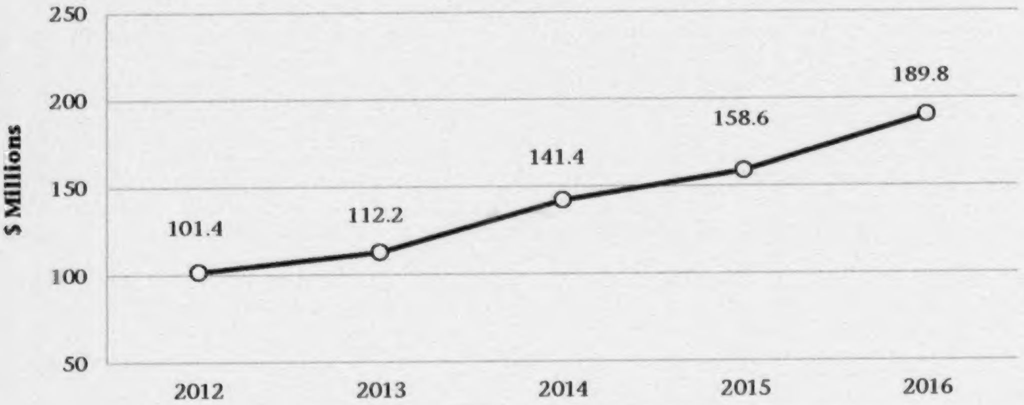
Investment in Government Business Enterprises

Other Financial Assets include the Province's financial position in five government business enterprises (GBEs), which has continually improved over the past five years from a net investment of $101.4 million at March 31, 2012 to $189.8 million at March 31, 2016. The Province's investment in GBEs increased by $31.2 million over the previous year.

The Province's investment in GBEs increased by $88.4 million over the last five years. Net equity of the Halifax-Dartmouth Bridge Commission increased $47.5 million, Nova Scotia Provincial Lotteries and Casino Corporation increased $20.7 million, Highway 104 Western Alignment Corporation increased $11.8 million, Nova Scotia Liquor Corporation increased $6.7 million, and Partners for Care increased $1.7 million.

As publicly accountable enterprises, GBEs follow International Financial Reporting Standards (IFRS). More detailed information about the Province's five GBEs is provided in Schedule 6 of the Public Accounts on page 103 of this publication.

Investment in GBEs - 5 Year Trend



Liabilities

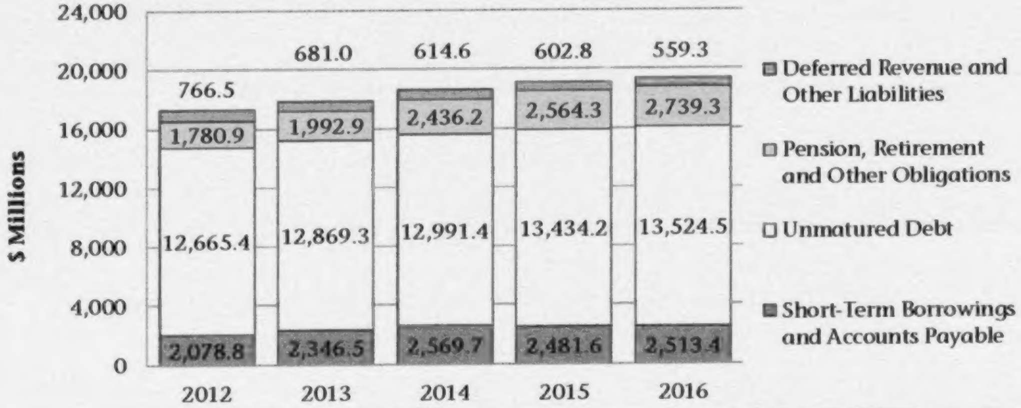
Liabilities, consisting of debts or other monetary obligations owing at March 31, 2016 and to be settled in the future, increased by $253.7 million from last year to $19.3 billion. Unmatured Debt was $90.3 million higher than the prior year due to $1,039.8 million of debt issued, $177.7 million in sinking fund withdrawals, and $0.9 million in other net financing activities. These funds were used to finance the activities of crown corporations, acquire tangible capital assets, pre-borrow to take advantage of investor demand for Nova Scotia debt issues, and refinance maturing debt. These borrowings were offset by $1,032.1 million in debt repayments and $96.0 million in sinking fund earnings.

Pension, Retirement and Other Obligations increased by $175.0 million mainly due to the discontinuation of the Province's retirement allowances plans for unionized and non-bargaining unit staff. As a result, $73.1 million in deferred losses and a $24.2 million loss on curtailment of those plans were immediately recognized. The remaining differences related to changes in external valuations from updated member data, actuarial assumptions, and plan amendments. Other changes to liabilities included an increase in Accounts Payable and Accrued Liabilities of $5.5 million and a net decrease of $17.1 million in Short-Term Borrowings, Deferred Revenue, and Other Liabilities.

Liabilities
($ thousands)

	Actual 2016	% of Total	Actual 2015	% of Total	Variance Increase (Decrease)
Bank Advances and Short-Term Borrowings	576,210	3.0%	549,908	2.9%	26,302
Accounts Payable and Accrued Liabilities	1,937,188	10.0%	1,931,645	10.1%	5,543
Deferred Revenue	235,049	1.2%	238,767	1.3%	(3,718)
Unmatured Debt	13,524,557	69.9%	13,434,240	70.4%	90,317
Pension, Retirement and Other Obligations	2,739,277	14.2%	2,564,273	13.4%	175,004
Other Liabilities	324,264	1.7%	364,059	1.9%	(39,795)
Total Liabilities	19,336,545	100.0%	19,082,892	100.0%	253,653

Liabilities - 5 Year Trend

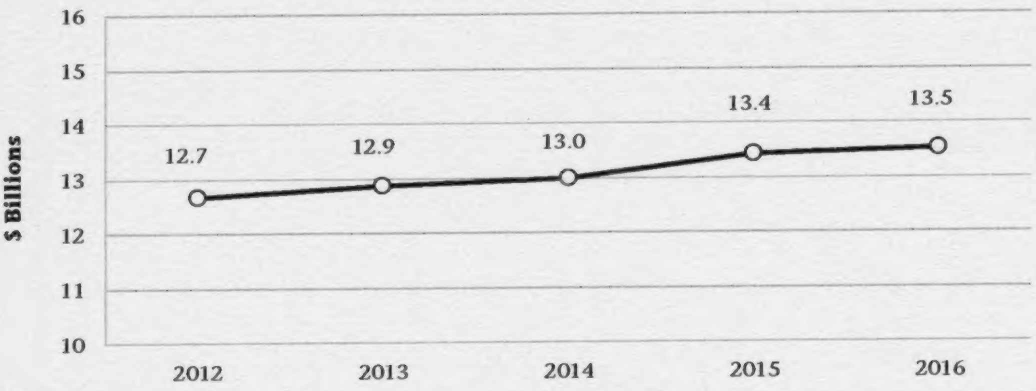


Unmatured Debt

Unmatured debt, net of sinking funds and defeasance assets, increased to $13.5 billion as at March 31, 2016, of which $13.3 billion is attributable to the General Revenue Fund, $168.1 million to Housing Nova Scotia, and $8.9 million to Nova Scotia Municipal Finance Corporation and $1.2 million to other controlled entities.

Over the past five years, unmatured debt increased $0.8 billion from $12.7 billion in 2012 to $13.5 billion in 2016.

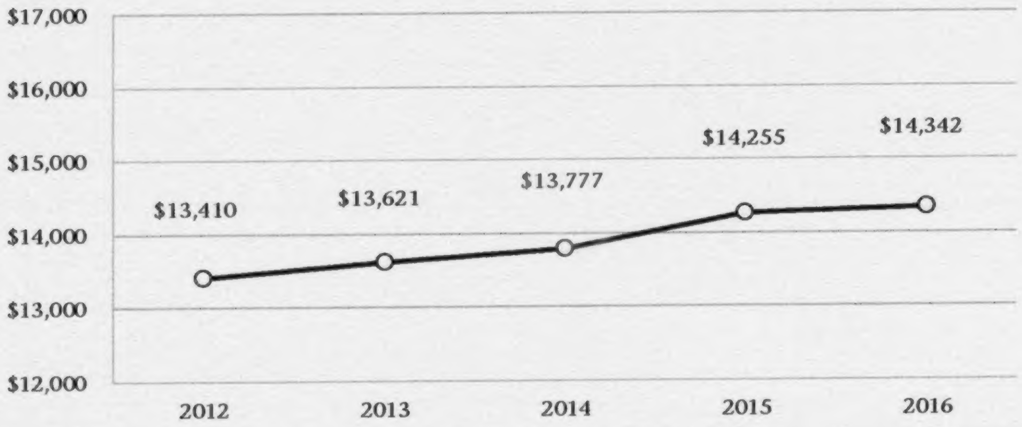
Unmatured Debt - 5 Year Trend



Unmatured Debt per Capita

Unmatured debt increased $87 per capita from $14,255 in 2015 to $14,342 in 2016. Over the past five years, unmatured debt per capita increased $932 from $13,410 in 2012 to $14,342 in 2016.

Unmatured Debt per Capita - 5 Year Trend



Credit Ratings

The Province of Nova Scotia's credit ratings were confirmed by all three major credit rating agencies during 2016 with no changes from the previous year. The Province's credit ratings are "A (high)" with a stable outlook from Dominion Bond Rating Service (DBRS), "A+" with a stable outlook from Standard and Poor's (S&P), and "Aa2" with a stable outlook from Moody's Investor Services Inc. (Moody's). The following table details these Nova Scotia ratings relative to its provincial peers. Note that (neg) refers to a negative outlook and (pos) a positive outlook, indicating the rating agency may change the respective province's credit rating over the next year.

Canadian Provincial Credit Ratings (as at July 21, 2016)

Province	Moody's Investor Services Inc.	Standard and Poor's	Dominion Bond Rating Service
Nova Scotia	Aa2	A+	A (high)
New Brunswick	Aa2	A+	A (high)
Newfoundland and Labrador	Aa3 (neg)	A (neg)	A (low)
Prince Edward Island	Aa2	A	A (low)
Quebec	Aa2	A+ (pos)	A (high)
Ontario	Aa2	A+	AA (low)
Manitoba	Aa2	AA– (neg)	A (high)
Saskatchewan	Aaa	AA+ (neg)	AA
Alberta	Aa1 (neg)	AA (neg)	AA (high)
British Columbia	Aaa	AAA	AA (high)
Canada	Aaa	AAA	AAA

Capital Markets Issuance Initiatives

The Province borrows funds in capital markets on an ongoing basis to refinance maturing debt, fund the budgetary deficit/surplus, lend monies to crown corporations, and acquire tangible capital assets. In broad terms, budgetary deficits act to increase the annual borrowing requirements, while surpluses serve to reduce the Province's borrowing needs. However, the relationship is not exact as there may be a number of cash flow timing differences.

The Province maintains the ability to borrow funds for future requirements should financial market conditions be favourable to do so, or may postpone borrowing in term debt markets if financial market conditions are unfavourable. The Province maintains discretionary sinking funds in the form of a pool of liquid assets to assist in the refinancing of maturing debt. Pre-borrowing for future years may add to the level of these funds, which can only be used to repay debt.

In 2016, the Province borrowed $1,055 million in long-term debt through the General Revenue Fund as market conditions and opportunities continued to be favourable. This amount included some pre-borrowing to take advantage of investor demand for Nova Scotia debt issues. The borrowings were completed by way of two debt issues: a Canadian Dollar Offered Rate (CDOR) floating interest rate note for $980 million, and a $75 million private placement of a 7-year fixed interest rate debt issue. While the current year deficit created an $86.9 million increase from budgetary position, many of the causes for the change were in non-cash expenses and had no impact on the borrowing requirements for 2016. The General Revenue Fund made lower net capital advances to crown corporations than anticipated in the estimates. As a result of the above factors, the Province pre-borrowed for future years. The Province maintains access to a diversity of borrowing sources, both domestic and international. This access is a key factor in maintaining a broad demand for Nova Scotia debt issues and achieving lower borrowing costs.

Financial Risk Management

In order to more fully access global capital markets, the Province maintains the ability to borrow in currencies other than the Canadian dollar.

Foreign Currency Risk

There were no foreign currency borrowings during the 2016 fiscal year (2015 – $nil). The Province has mitigated its exposure to foreign currency debt in recent years through the active use of derivatives where appropriate and by the accumulation of US dollar-denominated assets held in sinking funds to offset outstanding US dollar issues. As at March 31, 2016, the Province's debt continued to have no exposure to foreign currency fluctuations. This position did not change in comparison to March 31, 2015.

The Province's sinking funds held no assets in US dollars as at March 31, 2016, other than the Province's own US dollar-denominated bonds. These funds were therefore not subject to net foreign exchange fluctuations.

Public Sector Accounting Standards require that all financial amounts in the financial statements be presented in Canadian dollars. Conversion of un-hedged foreign currency amounts outstanding is calculated annually at March 31. That conversion results in a foreign currency gain or loss from year-to-year as the currency exchange rates fluctuate. As described in Note 1(d) on page 78, the foreign exchange gains or losses on long-term financial items are amortized over the remaining life of the related item. At year-end, unamortized foreign exchange was in a net gain position of $68.4 million, which is included in Unamortized Foreign Exchange Translation Gains and Losses, Premiums and Discounts on the Province's Consolidated Statement of Financial Position on page 71 of this publication.

Interest Rate Risk

As a net debtor in financial markets, the Province is exposed to the risks posed by movements in interest rates. The Province is exposed to interest rate risk as maturing debenture issues are refinanced at current market rates. Some exposure to fluctuating short-term rates is maintained in the debt portfolio to lower expected debt servicing costs. The Province has policies in place that set exposure limits on interest rate risk. Control is maintained over this exposure through the active management by the Province of its gross debt and sinking fund asset portfolios.

The debt portfolio's exposure to floating interest rates increased to 13.5 per cent for the fiscal year ended March 31, 2016, up from 10.3 per cent a year earlier. The Province is able to exercise control of this variable in the portfolio by maintaining access to both floating and fixed interest rate instruments in capital markets and through the use of derivatives. With 86.5 per cent of the total principal in fixed interest rate form (2015 – 89.7 per cent), there is expected to be a significant degree of stability in debt servicing costs in coming years. At March 31, 2016, the average term to maturity of the gross debt portfolio stood at 14.2 years, down 0.7 years from a year earlier due to the short-dated issuances during the fiscal year.

Non-Financial Assets

Non-financial assets are a component of the Province's financial position and are assets to be used during the provision of services in the future. Non-financial assets consist primarily of tangible capital assets but also include inventories of supplies and prepaid expenses.

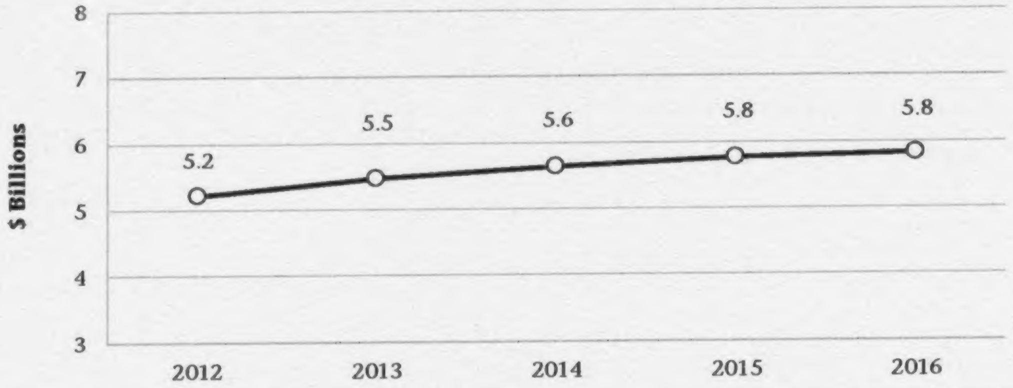
Total non-financial assets increased by $55.7 million from $5.8 billion a year ago. Over the past five years, total non-financial assets increased from $5.2 billion at the end of 2012 to $5.8 billion at the end of 2016, largely in the form of net investments in tangible capital assets.

Further details on consolidated tangible capital assets can be found on the next two pages as well as in Schedule 7 of the Public Accounts on pages 109 and 110 of this publication. Additional details on tangible capital assets of the General Revenue Fund are provided on pages 58 and 59 of this publication.

Non-Financial Assets
($ thousands)

	Actual 2016	% of Total	Actual 2015	% of Total	Variance Increase (Decrease)
Tangible Capital Assets	5,724,134	98.5%	5,686,606	98.7%	37,528
Inventories of Supplies	70,504	1.2%	55,843	1.0%	14,661
Prepaid Expenses	18,710	0.3%	15,238	0.3%	3,472
Total Non-Financial Assets	5,813,348	100.0%	5,757,687	100.0%	55,661

Non-Financial Assets - 5 Year Trend



Tangible Capital Assets

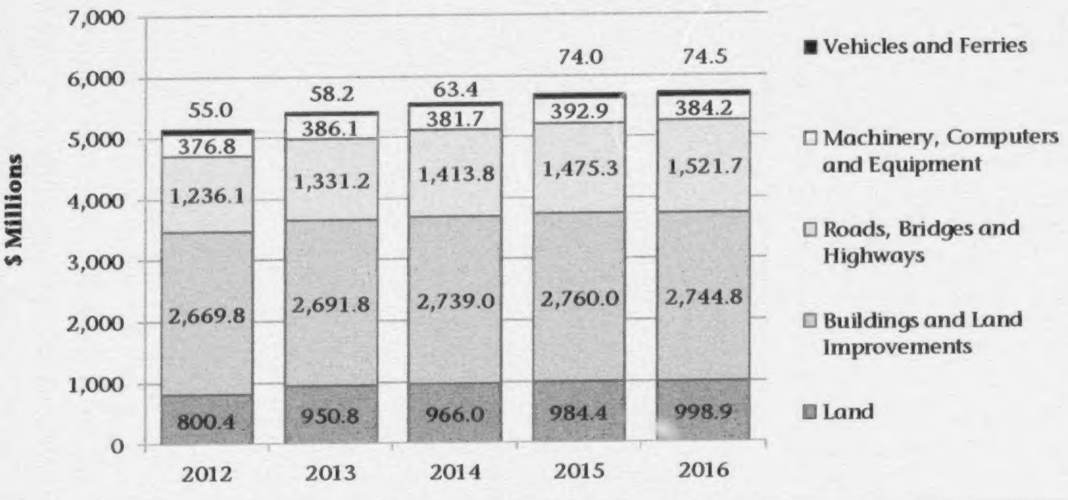
The net book value (acquisition cost less accumulated amortization) of tangible capital assets (TCA) is a significant asset to the Province, totaling $5.7 billion at the end of 2016, an increase of $37.5 million from the end of the previous fiscal year. The Buildings and Land Improvements asset class includes all of the provincially owned buildings, schools, and hospitals, as well as the leased schools and correctional forensic facility.

The chart below summarizes the Province's TCA portfolio by major asset class and shows the differences in each class compared to the prior year. The percentage of each asset class in comparison to the annual total is also shown.

Tangible Capital Assets (Net Book Value)
($ thousands)

	Actual 2016	% of Total	Actual 2015	% of Total	Variance Increase (Decrease)
Land	998,921	17.5%	984,441	17.3%	14,480
Buildings and Land Improvements	2,744,775	47.9%	2,759,954	48.6%	(15,179)
Roads, Bridges and Highways	1,521,701	26.6%	1,475,270	25.9%	46,431
Machinery, Computers and Equipment	384,261	6.7%	392,893	6.9%	(8,632)
Vehicles and Ferries	74,476	1.3%	74,048	1.3%	428
Total Tangible Capital Assets	5,724,134	100.0%	5,686,606	100.0%	37,528

Tangible Capital Assets - 5 Year Trend

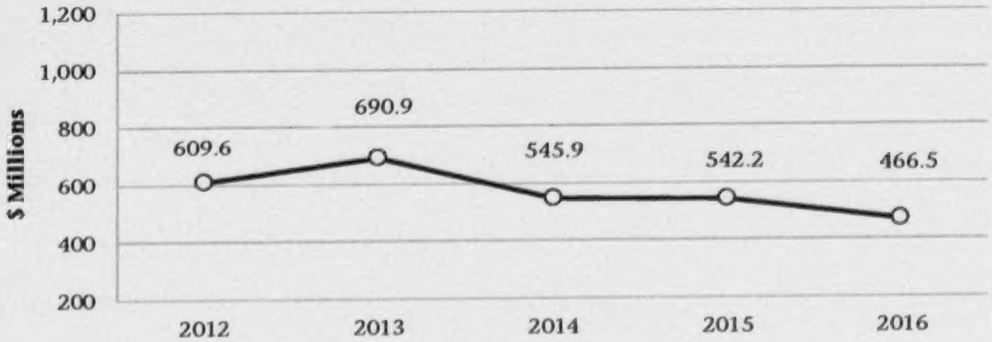


Acquisition of Tangible Capital Assets

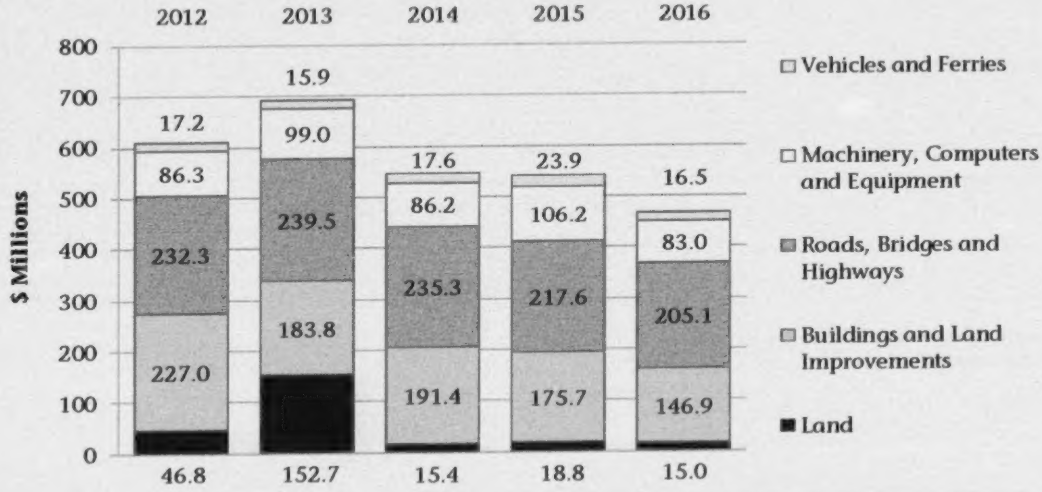
Acquisitions and transfers of tangible capital assets (TCA) totaled $466.5 million in 2016, a decrease of $75.7 million compared to $542.2 million in 2015. Additions to buildings and land improvements totaled $146.9 million (2015 – $175.7 million), of which $105.5 million related to the construction and improvement of buildings in the General Revenue Fund, $36.8 million related to the Health Authorities, $3.1 million related to social housing, and $1.5 million related to net transfers and other additions made by other governmental units.

New land totaling $15.0 million (2015 – $18.8 million) was acquired during the year, and additions to roads, bridges and highways totaled $205.1 million (2015 – $217.6 million). Additions to machinery, computers and equipment during the year were $83.0 million (2015 – $106.2 million), of which $42.1 million was attributable to the General Revenue Fund, $36.6 million to the Health Authorities, and $4.3 million to other governmental units. Over the past five years, acquisitions of TCA ranged from a low of $466.5 million in 2016 to a high of $690.9 million in 2013.

Tangible Capital Assets (Acquisitions at Gross Cost)



5 Year Trend (By TCA Category)



Cash Flows

The Province records its transactions on an accrual basis in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector, the timing of which may vary from when actual cash is paid or received. The Consolidated Statement of Cash Flow (Statement 4) on page 74 of this publication details the increases and decreases in the Province's cash flows in terms of the sources and uses of cash identified within the following activities: operating, investing, capital, and financing.

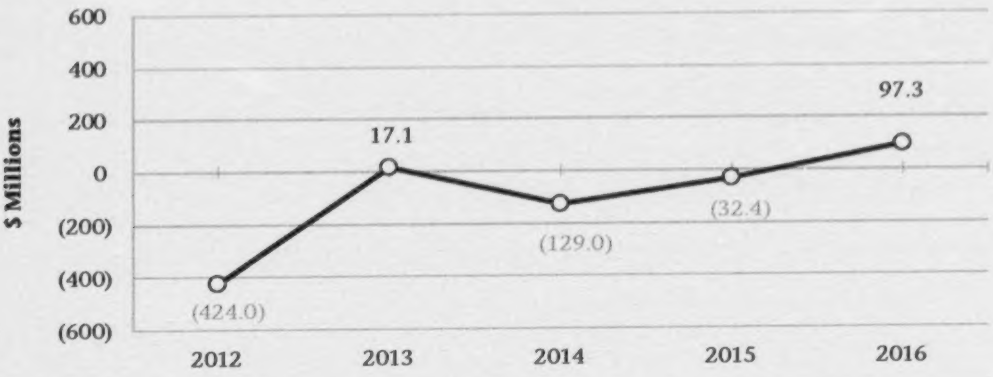
During 2016, the Province's cash position increased by $97.3 million. Net cash inflows of $405.7 million were generated from operating activities and $146.3 million from financing activities related to debt issuances. Cash outflows were used to purchase $466.5 million in tangible capital assets, $502.1 million to finance loans and investments, offset by $469.0 million in loan repayments, and $44.9 million in other cash inflows.

Cash Flows by Activity

($ thousands)

	Actual 2016	Actual 2015	Variance Increase (Decrease)
Operating	405,714	189,175	216,539
Investing	3,789	(212,828)	216,617
Capital	(458,530)	(530,636)	72,106
Financing	146,306	521,845	(375,539)
Net Inflows (Outflows)	97,279	(32,444)	129,723

Net Cash Flows - 5 Year Trend



Risk

The Province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets. Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 1(e) of the consolidated financial statements on page 79 of this publication. Financial risks, including foreign currency risk and interest rate risk, are discussed on page 39, as well as in Note 11 of the Public Accounts on page 91.

NOVA SCOTIA

SELECTED HIGHLIGHTS OF THE GENERAL REVENUE FUND

for the fiscal year ended March 31, 2016

Selected Highlights of the General Revenue Fund

($ thousands)

	Estimate 2016	Actual 2016	Actual 2015
General Revenue Fund *			
Revenues			
Ordinary Revenue	9,036,661	8,976,199	8,842,579
Ordinary Recoveries	531,238	570,230	544,625
Net Income from Government Business Enterprises	352,109	387,757	351,395
	9,920,008	9,934,186	9,738,599
Expenses			
Departmental Expenses	8,910,013	8,829,007	8,815,477
Refundable Tax Credits	150,968	120,644	133,980
Pension Valuation Adjustment	90,654	137,274	76,179
Debt Servicing Costs	872,612	854,721	876,244
	10,024,247	9,941,646	9,901,880
	(104,239)	(7,460)	(163,281)
Consolidation and Accounting Adjustments for Government Units			
General Revenue Fund Consolidation Adjustments	11,435	10,356	13,110
Special Purpose Funds	(1,769)	891	1,092
Other Organizations	(3,002)	(14,445)	5,386
	6,664	(3,198)	19,588
Provincial Deficit	(97,575)	(10,658)	(143,693)

* The General Revenue Fund is comprised of the Province's departments and public service units, but excludes the governmental units and government business enterprises owned or controlled by the Province.

General Revenue Fund – Revenue

In total, revenue of the General Revenue Fund for the fiscal year ending March 31, 2016 was $14.2 million or 0.1 per cent higher than estimate and $195.6 million or 2.0 per cent higher than the prior year. The table below shows the current year estimate, current and prior year actual revenue, and current year variances compared to estimate and to prior year. The analysis that follows this table includes explanations, by source, for the more significant variances.

Revenue *($ thousands)*	**Estimate 2016**	**Actual 2016**	**Actual 2015**	**Actual vs Estimate Increase (Decrease)**	**Actual vs Actual Increase (Decrease)**
Provincial Sources					
Tax Revenue					
Personal Income Tax	2,524,962	2,562,544	2,349,724	37,582	212,820
Corporate Income Tax	493,193	461,661	474,031	(31,532)	(12,370)
Harmonized Sales Tax	1,761,253	1,760,221	1,702,427	(1,032)	57,794
Tobacco Tax	217,792	217,009	206,255	(783)	10,754
Motive Fuel Tax	262,276	254,011	248,274	(8,265)	5,737
Other Provincial Revenue					
Registry of Motor Vehicles	126,949	130,317	123,032	3,368	7,285
Petroleum Royalties	19,405	14,068	30,019	(5,337)	(15,951)
Other Provincial Sources	301,464	308,865	285,585	7,401	23,280
TCA Cost Shared Revenue	1,750	2,080	8,564	330	(6,484)
Prior Years' Adjustments	—	(68,403)	110,207	(68,403)	(178,610)
Other Fees and Charges	63,176	61,626	62,249	(1,550)	(623)
Ordinary Recoveries	317,269	354,699	340,653	37,430	14,046
Gain (Loss) on Disposal of Crown Assets	—	(273)	4,767	(273)	(5,040)
Net Income from Government Business Enterprises	352,109	387,757	351,395	35,648	36,362
Investment Income					
Interest Revenue	79,031	89,549	83,660	10,518	5,889
Sinking Fund Earnings	99,549	95,982	103,892	(3,567)	(7,910)
Total Provincial Sources	6,620,178	6,631,713	6,484,734	11,535	146,979
Federal Sources					
Equalization Payments	1,768,921	1,777,759	1,750,653	8,838	27,106
Canada Health Transfer	896,863	895,694	852,161	(1,169)	43,533
Canada Social Transfer	341,579	341,134	334,007	(445)	7,127
Crown Share	7,437	(2,716)	14,058	(10,153)	(16,774)
Offshore Accord	36,779	36,779	64,481	—	(27,702)
Other Federal Sources	2,319	2,083	3,620	(236)	(1,537)
TCA Cost Shared Revenue	31,963	32,410	21,950	447	10,460
Ordinary Recoveries	213,969	215,531	203,972	1,562	11,559
Prior Years' Adjustments	—	3,799	8,963	3,799	(5,164)
Total Federal Sources	3,299,830	3,302,473	3,253,865	2,643	48,608
Total Revenue	9,920,008	9,934,186	9,738,599	14,178	195,587

General Revenue Fund – Revenue Variance Analysis

Personal Income Tax

Personal Income Tax (PIT) revenue was $37.6 million or 1.5 per cent higher than estimate. Higher revenues were driven by yield rates that were forecasted to be 0.18 percentage points or 2.0 per cent higher in 2015 and 0.14 percentage points or 1.6 per cent higher in 2016. Taxable income increased 0.33 per cent in 2015 but was projected to decline by 0.56 per cent for 2016. The increase in yield rates was partially offset by a higher cost for the Age Amount Tax Credit.

PIT revenue was $212.8 million or 9.1 per cent higher than the prior year.

Corporate Income Tax

Corporate Income Tax (CIT) revenue was $31.5 million or 6.4 per cent lower than estimate. National corporate taxable income increased by 2.0 per cent in 2015 and 0.9 per cent in 2016 based upon federal estimates. This was offset by lower growth in the Province's share, 3.0 per cent lower in 2015 and 2.0 per cent lower in 2016. The combination of these two factors caused corporate taxable income to fall by 1.1 per cent in both 2015 and 2016. In addition, the small business share of corporate taxable income increased from 36.2 per cent to 40.8 per cent.

CIT revenue was $12.4 million or 2.6 per cent lower than the prior year.

Harmonized Sales Tax

Harmonized Sales Tax (HST) revenue was $1.0 million or 0.1 per cent lower than estimate primarily as a result of downward revisions to the projected level of the consumer expenditure base by 0.88 per cent in 2015 and 1.73 per cent in 2016. Also, the residential housing investment tax base declined by 0.2 per cent in 2015 and declined by 1.1 per cent in 2016. These were partially offset by increases in the public sector body and business bases, as well as the Your Energy Rebate being $8.8 million lower than projected in 2016.

HST revenue was $57.8 million or 3.4 per cent higher than the prior year.

Tobacco Tax

Tobacco Tax revenue was $0.8 million or 0.4 per cent lower than estimate. The consumption of cigarettes declined by 0.4 per cent, and fine cut tobacco consumption declined 4.8 per cent. Prices for tobacco products were 2.5 per cent lower than estimate.

Tobacco Tax revenue was $10.8 million or 5.2 per cent higher than the prior year.

Motive Fuel Tax

Motive Fuel Tax revenue was $8.3 million or 3.2 per cent lower than estimate. Projected consumption was lower than estimate by 0.6 per cent for gasoline and 6.8 per cent for diesel. Gasoline and diesel oil prices for the year were below projections by 1.6 per cent and 3.3 per cent, respectively. Labour income growth showed a decrease of 2.2 per cent, significantly lower than expected.

Motive Fuel Tax revenue was $5.7 million or 2.3 per cent higher than the prior year.

Petroleum Royalties

Petroleum Royalties were $5.3 million or 27.5 per cent lower than estimate based upon lower than projected natural gas prices and declining levels of production on both the Sable Offshore Energy and Deep Panuke projects.

Petroleum Royalties were $16.0 million or 53.1 per cent lower than the prior year.

Other Provincial Sources

Other Provincial Sources were $7.4 million or 2.5 per cent higher than estimate primarily due to slight increases in other tax revenues, such as $2.4 million in private levies on used vehicles, $2.0 million in tax on insurance premiums, $1.3 million in Corporation Capital Tax, and $1.9 million relating to a tobacco settlement. Other various provincial revenues, on a combined basis, were lower than estimate by $0.2 million.

Other Provincial Sources were $23.3 million or 8.2 per cent higher than the prior year primarily due to a $9.7 million increase in other tax revenues, $8.2 million increase in the comprehensive income of government business enterprises, and net increases in other revenue sources of $5.4 million.

TCA Cost Shared Revenue — Provincial Sources

TCA Cost Shared Revenue from Provincial Sources was $0.3 million or 18.9 per cent higher than estimate.

TCA Cost Shared Revenue from Provincial Sources was $6.5 million or 75.7 per cent lower than the prior year due to reduced funding for highway and bridge projects.

Prior Years' Adjustments — Provincial Sources

Prior Years' Adjustments (PYAs) from Provincial Sources were a negative $68.4 million reflecting updates to the Province's economic forecast and federal government information on forecasted tax yields of PIT and CIT, revisions to HST forecasts for open years, and revenue forecast updates to large corporations tax and offshore petroleum royalties.

Since specific revenues are calculated using model-based estimates, PYAs are not budgeted. As actual or more current information becomes available for prior years, PYAs are recorded in the current year. The provincial PYA revenues were attributable to: $85.6 million for PIT, $9.9 million for HST, and $6.4 million for Preferred Share Dividends. There were negative PYAs of -$63.6 million for CIT, -$105.8 million for offshore petroleum royalties, and -$0.9 million for Large Corporations Tax. The current year revenues and corresponding PYAs are reported on Schedule 1 of the Public Accounts on page 94 as follows:

($ thousands)	2016			2015		
	Current	**PYA**	**Total**	**Current**	**PYA**	**Total**
Personal Income Tax	2,562,544	85,613	2,648,157	2,349,724	(15,588)	2,334,136
Corporate Income Tax	461,661	(63,552)	398,109	474,031	69,345	543,376
Harmonized Sales Tax	1,760,221	9,859	1,770,080	1,702,427	47,439	1,749,866
Petroleum Royalties	14,068	(105,820)	(91,752)	30,019	3,067	33,086
Miscellaneous *	—	6,354	6,354	—	5,226	5,226
Large Corporations Tax *	—	(857)	(857)	—	718	718
		(68,403)			110,207	

* *Included in Other Tax Revenue on Schedule 1 of the Consolidated Financial Statements*

Ordinary Recoveries — Provincial Sources

Ordinary Recoveries from Provincial Sources were $37.4 million or 11.8 per cent higher than estimate mainly due to the receipt of unbudgeted prior year recoveries of $11.4 million from various initiatives, including an accounts payable review of prior year provincial HST expenditures. Department of Health and Wellness recoveries were $9.3 million higher than estimate due to physician reciprocal billings and insurance recoveries from other provinces for treatment of out-of-province patients. Recoveries relating to the Department of Education and Early Childhood Development were $5.4 million higher than estimate mainly due to an increase from the Mi'kmaw Kina'matnewey agreements for First Nation's students that are attending public school. Unbudgeted recoveries of $4.4 million were received by the Department of Energy in regards to the wind down of 3052155 Nova Scotia Limited (incorporated in 2001 to hold and administer various assets and obligations transferred from Nova Scotia Resources Limited prior to the sale of that company's shares). Other recoveries amounted to a net increase of $6.9 million across remaining departments.

Ordinary Recoveries from Provincial Sources were $14.0 million or 4.1 per cent higher than the prior year primarily due to slight increases in various departments, including Health and Wellness and prior year recoveries in Restructuring.

Net Income from Government Business Enterprises

Net Income from Government Business Enterprises (GBEs) was $35.6 million or 10.1 per cent higher than estimate primarily due to favourable variances in the sales of Nova Scotia Liquor Corporation (NSLC) and Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC). Net income from NSLC was $13.0 million higher than estimate mainly due to increased sales of $14.6 million. Net income from NSPLCC was $16.2 million higher than estimate mainly due to increases in ticket and video lottery revenues. The three other GBEs combined for an increase of $6.4 million over estimate.

Net Income from GBEs was $36.4 million or 10.3 per cent higher than the prior year primarily due to favourable variances in the sales of NSLC and NSPLCC. Net income from NSLC increased by $13.3 million mainly due to increased sales of $16.5 million or 2.8 per cent. Net income from NSPLCC increased by $17.5 million mainly due to increases in ticket and video lottery revenues. The three other GBEs combined for an increase of $5.6 million over the prior year.

Interest Revenue

Interest Revenue was $10.5 million or 13.3 per cent higher than estimate due to higher revenues from on-lending activities and interest earned on the proceeds from debt issuances until the funds were required.

Interest Revenue was $5.9 million or 7.0 per cent higher than the prior year.

Sinking Fund Earnings

Sinking Fund Earnings were $3.6 million or 3.6 per cent lower than estimate and $7.9 million or 7.6 per cent lower than the prior year due to lower short-term interest rates applicable to floating interest rate notes held in the portfolio. The decrease from the previous fiscal year was also due to a withdrawal of sinking funds for a debt maturity that occurred later in the 2016 fiscal year.

Equalization Payments

Equalization payments were $8.8 million or 0.5 per cent higher than estimate mainly due to the Province's election to receive payments calculated according to the Expert Panel approach. This is a one-estimate, one-payment approach. The Province also received a cumulative best-of guarantee payment of $88.2 million during the year pursuant to the clarification reached with the federal government in October 2007. The cumulative best-of guarantee payment was $8.8 million or 11.1 per cent higher than estimate as a result of the Expert Panel formula growing at a slower pace than the Interim Approach formula.

Equalization payments were $27.1 million or 1.5 per cent higher than the prior year.

Canada Health Transfer

Canada Health Transfer (CHT) revenue was $1.2 million or 0.1 per cent lower than estimate due to revised federal estimates of the Province's share of national population released by the federal government in the fall of 2015.

CHT revenue was $43.5 million or 5.1 per cent higher than the prior year.

Canada Social Transfer

Canada Social Transfer (CST) revenue was $0.4 million or 0.1 per cent lower than estimate due to revised federal estimates of the Province's share of national population released by the federal government in the fall of 2015.

CST revenue was $7.1 million or 2.1 per cent higher than the prior year.

Crown Share

Crown Share Adjustment Payments were $10.2 million or 136.5 per cent lower than estimate as a result of reduced profitability associated with the Sable Offshore Energy and Deep Panuke projects.

Crown Share Adjustment Payments were $16.8 million or 119.3 per cent lower than the prior year.

Offshore Accord

Offshore Accord revenue is calculated based upon the one-estimate, one-payment approach and is not re-estimated during the fiscal year. As a result, the Offshore Accord payment was equal to estimate.

Offshore Accord revenue was $27.7 million or 43.0 per cent lower than the prior year due to the continued decline in offshore natural resources revenue included in the weighted average calculation of Equalization Payments.

TCA Cost Shared Revenue — Federal Sources

TCA Cost Shared Revenue from Federal Sources was $0.4 million or 1.4 per cent higher than estimate.

TCA Cost Shared Revenue from Federal Sources was $10.5 million or 47.7 per cent higher than the prior year due to increased Building Canada funding and New Building Canada funding for various highway and bridge projects throughout the province.

Ordinary Recoveries — Federal Sources

Ordinary Recoveries from Federal Sources were $1.6 million or 0.7 per cent higher than estimate.

Ordinary Recoveries from Federal Sources were $11.6 million or 5.7 per cent higher than the prior year primarily due to a $3.1 million increase in the Department of Health and Wellness for cancer care, $1.7 million increase in the Department of Municipal Affairs for disaster assistance payments, $1.6 million in the Department of Internal Services for increased recovery from the Royal Canadian Mounted Police (RCMP) for the use of the Province's radio system, $1.4 million in the Department of Labour and Advanced Education due to labour market agreements, and $1.3 million in the Department of Education and Early Childhood Development for French programs and services. The remaining variance of $2.5 million was attributable to various other departments.

Prior Years' Adjustments — Federal Sources

Prior Years' Adjustments (PYAs) from Federal Sources were $3.8 million reflecting revisions to population estimates of open years for the Canada Health Transfer (CHT) and Canada Social Transfer (CST) payments.

PYAs are not budgeted. As actual or more current information becomes available for prior years, PYAs are recorded in the current year. The federal PYA revenues were attributable to: $3.9 million for CHT due to revised estimates for the open years 2012-13, 2013-14, and 2014-15, as well as a negative -$0.1 million adjustment for CST related to the open year 2014-15. The related current year federal revenues and PYAs are reported on Schedule 1 of the Public Accounts on page 94 as follows:

($ thousands)		2016			2015	
	Current	**PYA**	**Total**	**Current**	**PYA**	**Total**
Canada Health Transfer	895,694	3,899	899,593	852,161	8,236	860,397
Canada Social Transfer	341,134	(100)	341,034	334,007	727	334,734
		3,799			8,963	

General Revenue Fund – Departmental Expenses

Overall, departmental expenses of the General Revenue Fund for the fiscal year ended March 31, 2016 were $81.0 million or 0.9 per cent lower than estimate. The table below shows the current year estimate, current and prior year actual expenses, and current year variance compared to estimate. The analysis that follows this table includes explanations, by department, for the more significant variances.

Departmental Expenses
($ thousands)

	Estimate 2016	Actual 2016	Actual 2015	Actual vs Estimate Increase (Decrease)
Agriculture	61,536	60,929	73,116	(607)
Business	114,143	113,731	151,942	(412)
Communities, Culture and Heritage	61,837	64,236	60,613	2,399
Community Services	915,410	922,341	919,978	6,931
Education and Early Childhood Development	1,244,607	1,241,209	1,222,394	(3,398)
Energy	30,160	29,962	31,712	(198)
Environment	25,343	24,801	25,894	(542)
Finance and Treasury Board	14,415	12,586	12,656	(1,829)
Fisheries and Aquaculture	9,883	9,871	9,411	(12)
Health and Wellness	4,137,741	4,106,403	4,076,944	(31,338)
Internal Services	180,300	215,145	155,498	34,845
Justice	327,593	327,414	322,156	(179)
Labour and Advanced Education	362,931	358,158	357,729	(4,773)
Assistance to Universities	376,084	374,715	375,471	(1,369)
Municipal Affairs	167,474	158,800	151,498	(8,674)
Natural Resources	82,983	82,979	88,468	(4)
Public Service	200,947	191,878	206,437	(9,069)
Seniors	1,496	1,493	1,431	(3)
Transportation and Infrastructure Renewal	419,277	433,717	433,446	14,440
Restructuring Costs	175,853	98,639	138,683	(77,214)
Total Departmental Expenses	8,910,013	8,829,007	8,815,477	(81,006)

Request for final additional appropriations for year-end adjustments must be submitted to the Governor-in-Council no later than 15 days after the date of the tabling of these Public Accounts. These amounts are summarized by appropriation on pages 60 and 61.

The consolidation of departmental expenses with that of governmental units provides the total expenses for which government is accountable. This table provides the expenses by department prior to consolidation for comparison to the prior fiscal year and the budget, on the same basis as the Estimates, as approved by the Legislature in the annual *Appropriations Act*.

General Revenue Fund – Expense Variance Analysis

Business

Department of Business expenses were $0.4 million or 0.4 per cent lower than estimate primarily due to savings of $5.4 million in the Capital Investment Incentive Program as a result of timing differences, $3.6 million in temporary vacancy and operating savings related to the establishment of the new department, $2.0 million relating to Invest Nova Scotia due to lower than expected applications, $1.2 million from the Nova Scotia Business Inc. Strategic Investment Fund due to lower than expected payroll rebate claims, $0.8 million relating to Waterfront Development Corporation as a result of timing of capital projects, and $0.8 million from operating savings in Tourism Nova Scotia.

These savings were partially offset by increased grant expenses of $8.5 million due to the transfer of Signature Resort assets from the Province to Tourism Nova Scotia, as well as Nova Scotia Jobs Fund expenses of $4.9 million to maintain previously approved commitments.

Communities, Culture and Heritage

Department of Communities, Culture and Heritage expenses were $2.4 million or 3.9 per cent higher than estimate primarily due to a $2.0 million adjustment to the Bluenose II claim and increased expenses related to recoveries of $0.6 million, offset by temporary vacancy and operating savings of $0.2 million.

Community Services

Department of Community Services expenses were $6.9 million or 0.8 per cent higher than estimate. The Disability Support Program was $14.5 million over estimate primarily due to increased client care costs. Child, Youth and Family Support was $9.0 million higher than estimate primarily due to increased client costs in the Maintenance of Children Program.

These overages were partially offset by a $13.0 million reduction in the Employment Support and Income Assistance Program due primarily to declining caseloads, as well as lower than anticipated expenditures in Employment Support Programs and Nova Scotia Child Benefits. Additional savings were attributable to Housing Services of $1.9 million due to increased HST recoveries and $1.7 million in net administrative savings throughout the department.

Education and Early Childhood Development

Department of Education and Early Childhood Development expenses were $3.4 million or 0.3 per cent lower than estimate primarily due to $2.2 million in departmental vacancy and operating savings, $1.8 million in Finance and Operations due to the dust collection and radon testing projects, $1.6 million in Public Education and Student Equity and Support Services as a result of grant issuances being lower than expected, $1.3 million in Education Innovation Programs and Services as a result of lower than expected spending on the math online homework project, and $1.1 million in the Early Years Branch due to lower than expected utilization of parent subsidies.

Overages that partially offset these savings included $2.6 million in additional Teachers' Pension Plan related expenses due to an increase in the wage base attributed to increased FTEs, license upgrades, and increments, $1.6 million due to additional complementary funding approval for French programs (offset by Federal recoveries), and $0.4 million in various other items.

Environment

Department of Environment expenses were $0.5 million or 2.1 per cent lower than estimate due to $0.4 million lower than expected transformation costs and $0.3 million vacancy savings driven by consolidation of inspection functions, partially offset by a $0.2 million increase in recoverable grants, the majority from Health Canada, for the development and delivery of air quality education to children and youth.

Finance and Treasury Board

Department of Finance and Treasury Board expenses were $1.8 million or 12.7 per cent lower than estimate due to $1.3 million in temporary vacancy and operational related savings and $0.5 million in savings from the Social Impact Bond initiative.

Health and Wellness

Department of Health and Wellness expenses were $31.3 million or 0.8 per cent lower than estimate primarily due to savings of $28.0 million in capital grants as a result of delays with major construction projects, $8.0 million in Health Authorities primarily related to prior year accounting accruals, $7.0 million in Physician Services for utilization savings and reduced costs in Master Agreement programs, $6.8 million in various programs including delays in information technology projects, program delays, as well as savings in Long Term Care, $6.0 million due to lower call volumes for 811 Telecare service, decrease in utilization for vaccine programs, decrease in costs for Emergency Care Fund, Primary Health Renewal, and other programs, and $5.0 million in Administration for operational efficiencies and vacancies.

These savings were partially offset by an increase of $14.0 million in Home Care due to increased utilization in nursing, home support, and other programs, $7.5 million in Canadian Blood Services due to increased utilization, product costs, and exchange rate, $4.0 million in Insured Services due to an increase in Nova Scotians treated for hospital services in other provinces, $3.0 million in Pharmaceutical Services for higher utilization of drugs, and $1.0 million for volume increases in Emergency Health Services.

Internal Services

Department of Internal Services expenses were $34.8 million or 19.3 per cent higher than estimate primarily due to a $37.9 million increase to the accrual for the Boat Harbour remediation project, offset slightly by $3.1 million in savings from reduced amortization costs and operational efficiencies.

Labour and Advanced Education

Department of Labour and Advanced Education expenses were $4.8 million or 1.3 per cent lower than estimate primarily due to $1.6 million related to slower than anticipated startup in the Workplace Innovation and Productivity Skills Incentive and Graduate to Opportunity Programs and $3.2 million related to vacancy and operating savings.

Assistance to Universities

Assistance to Universities expenses were $1.4 million or 0.4 per cent lower than estimate primarily due to savings of $1.4 million resulting from an adjustment to the student bursary allocation, reflecting the number of Nova Scotia students studying at universities in Nova Scotia.

Municipal Affairs

Department of Municipal Affairs expenses were $8.7 million or 5.2 per cent lower than estimate primarily due to savings of $7.1 million in the New Building Canada Fund as a result of project delays in National and Regional Projects of $4.2 million and Small Communities Fund of $2.9 million, of which $1.5 million was recoverable from the federal government, and $1.6 million throughout other municipal grant programs.

Public Service

In total, Public Service expenses were $9.1 million or 4.5 per cent lower than estimate. The significant variances, which total $8.8 million, were as follows:

Executive Council

Executive Council expenses were $0.6 million or 8.7 per cent lower than estimate due to vacancy savings and lower than anticipated operating costs.

Government Contributions to Benefit Plans

Government Contributions to Benefit Plans expenses were $2.1 million or 22.9 per cent lower than estimate primarily due to vacation usage causing a reduction in the vacation accrual liability.

Legislative Services

Legislative Services expenses were $1.9 million or 8.0 per cent lower than estimate due to savings in overall operating costs, primarily related to savings in MLA constituency allowances.

Public Service Commission

Public Service Commission expenses were $0.7 million or 3.6 per cent lower than estimate primarily due to vacancy savings and lower than anticipated operating costs.

Service Nova Scotia

Service Nova Scotia expenses were $3.5 million or 4.3 per cent lower than estimate primarily due to savings of $1.3 million in the Heating Assistance Rebate Program as a result of lower than expected program applicants, $1.0 million resulting from a delay in the Petroleum Product Volume Tracking project, and $1.2 million due to temporary staff vacancies and general operating savings.

Transportation and Infrastructure Renewal

Department of Transportation and Infrastructure Renewal expenses were $14.4 million or 3.4 per cent higher than estimate primarily due to $13.1 million for the Nova Scotia to Portland ferry service, $2.6 million for increased snow and ice removal costs and equipment repairs, and $1.5 million in additional third party recoverable work. These overages were partially offset by savings in amortization expense of $2.8 million due to later than expected completion dates of capital infrastructure projects.

Restructuring Costs

Overall, Restructuring expenses were $77.2 million or 43.9 per cent lower than estimate due to lower than anticipated budget requirements for corporate initiatives.

General Revenue Fund – Tangible Capital Assets

Gross Capital Purchases

The Province's policy is to capitalize the gross cost of its tangible capital assets (TCA). Recoveries from external sources are recognized as revenue in the year the asset is purchased or constructed. Under the Province's TCA policy, a percentage of the original cost of an asset is charged to expenses in each year of the useful life of the asset. This charge, called amortization, does not commence until the asset is available for use.

Departments are required to budget for TCA purchases and the resulting amortization from the acquisition of these assets. The costs of the gross capital purchases are appropriated as the Capital Purchase Requirements in the annual Estimates, and the departmental details are noted below.

Spending on gross capital purchases was $43.1 million or 10.1 per cent lower than estimate primarily due to an unused contingency of $26.2 million. Other savings included $13.0 million on information technology projects, $9.6 million on building projects, and $2.4 million on vehicles, boats, and equipment. These savings were partially offset by increased capital purchases of $4.9 million on highways and structures and $3.2 million on land purchases.

Gross Capital Purchases *($ thousands)*	**Estimate 2016**	**Actual 2016**	**Variance Increase (Decrease)**
Agriculture	2,040	2,096	56
Communities, Culture and Heritage	—	(2,241)	(2,241)
Education and Early Childhood Development	87,900	75,566	(12,334)
Environment	595	756	161
Fisheries and Aquaculture	100	193	93
Health and Wellness	9,443	6,824	(2,619)
Internal Services	32,826	28,414	(4,412)
Justice	3,765	1,814	(1,951)
Labour and Advanced Education	3,280	1,739	(1,541)
Municipal Affairs	679	407	(272)
Natural Resources	3,300	6,839	3,539
Public Service	10,353	3,535	(6,818)
Transportation and Infrastructure Renewal			
Highways and Bridges	220,000	225,860	5,860
Buildings and Infrastructure	25,637	31,252	5,615
Cash Flow Contingency	26,236	—	(26,236)
Total Gross Capital Purchases	426,154	383,054	(43,100)

Amortization

The schedule below reflects the current year's estimate and actual amortization charged to operations of the General Revenue Fund for tangible capital assets acquired in 2016 and prior years. Annual amortization expense is calculated on a declining balance basis for most assets of the General Revenue Fund. Capital leases are amortized on a straight-line basis over the length of each lease.

Amortization
($ thousands)

	Estimate 2016	Actual 2016	Variance Increase (Decrease)
Agriculture	329	346	17
Business	288	—	(288)
Communities, Culture and Heritage	2,590	2,471	(119)
Community Services	430	430	—
Education and Early Childhood Development	72,191	72,208	17
Energy	1	—	(1)
Environment	107	77	(30)
Fisheries and Aquaculture	80	67	(13)
Health and Wellness	16,079	15,358	(721)
Internal Services	18,778	15,610	(3,168)
Justice	2,411	2,285	(126)
Labour and Advanced Education	5,838	5,837	(1)
Municipal Affairs	235	159	(76)
Natural Resources	2,072	1,722	(350)
Public Service	4,240	3,567	(673)
Transportation and Infrastructure Renewal	191,112	186,487	(4,625)
Total Amortization	316,781	306,624	(10,157)

Additional Appropriations by Resolution

Relative to the *Appropriations Act, 2015*

For the fiscal year ended March 31, 2016

($ thousands)

Res #	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriation Required
	Departmental Expenses					
1	Agriculture	61,536	—	60,929	(607)	—
2	Business	114,143	7,545	113,731	(7,957)	—
3	Communities, Culture and Heritage	61,837	2,465	64,236	(66)	—
4	Community Services	915,410	14,398	922,341	(7,467)	—
5	Education and Early Childhood Development	1,244,607	—	1,241,209	(3,398)	—
6	Energy	30,160	—	29,962	(198)	—
7	Environment	25,343	—	24,801	(542)	—
8	Finance and Treasury Board	14,415	—	12,586	(1,829)	—
10	Fisheries and Aquaculture	9,883	—	9,871	(12)	—
11	Health and Wellness	4,137,741	5,700	4,106,403	(37,038)	—
12	Internal Services	180,300	—	215,145	34,845	34,845
13	Justice	327,593	—	327,414	(179)	—
14	Labour and Advanced Education	362,931	1,173	358,158	(5,946)	—
15	Assistance to Universities	376,084	—	374,715	(1,369)	—
16	Municipal Affairs	167,474	—	158,800	(8,674)	—
17	Natural Resources	82,983	—	82,979	(4)	—
	Public Service					
18	Aboriginal Affairs	3,467	—	3,464	(3)	—
19	Communications Nova Scotia	6,818	—	6,571	(247)	—
20	Elections Nova Scotia	3,466	—	4,117	651	651
21	Executive Council	7,055	—	6,438	(617)	—
22	FOIPOP Review Office	593	—	569	(24)	—
23	Government Contributions to Benefit Plans	8,984	—	6,931	(2,053)	—
24	Human Rights Commission	2,532	—	2,526	(6)	—
25	Intergovernmental Affairs	3,825	—	3,820	(5)	—
26	Legislative Services	23,295	—	21,424	(1,871)	—
27	Nova Scotia Police Complaints Commissioner	435	—	433	(2)	—
28	Nova Scotia Securities Commission	2,595	—	2,553	(42)	—
29	Nova Scotia Utility and Review Board	1,970	—	1,970	—	—
30	Office of Immigration	7,490	—	7,221	(269)	—
31	Office of the Auditor General	3,889	—	3,474	(415)	—
32	Office of the Ombudsman	1,724	—	1,477	(247)	—
33	Public Prosecution Service	22,823	—	23,079	256	257
34	Public Service Commission	18,991	—	18,299	(692)	—
35	Service Nova Scotia	80,995	—	77,512	(3,483)	—
36	Seniors	1,496	—	1,493	(3)	—
37	Transportation and Infrastructure Renewal	419,277	14,632	433,717	(192)	—
38	Restructuring Costs	175,853	—	98,639	(77,214)	—
	Total Departmental Expenses	8,910,013	45,913	8,829,007	(126,919)	35,753

Additional Appropriations by Resolution *(continued)*

Relative to the *Appropriations Act, 2015*

For the fiscal year ended March 31, 2016

($ thousands)

Res #	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriation Required
	Other Appropriations					
9	Debt Servicing Costs	872,612	—	854,721	(17,891)	—
39	Refundable Tax Credits	150,968	—	120,644	(30,324)	—
40	Pension Valuation Adjustment	90,654	39,244	137,274	7,376	7,376
	Total Other Appropriations	1,114,234	39,244	1,112,639	(40,839)	7,376
	Statutory Capital					
41	Capital Purchase Requirements	426,154	—	383,054	(43,100)	—
42	Sinking Fund Installments and Serial Retirements	56,401	—	56,401	—	—
	Total Statutory Capital	482,555	—	439,455	(43,100)	—
	Total Additional Appropriations		85,157			43,129

Note: Section 28(4) of the *Finance Act* requires that any final additional appropriation required for year-end adjustments be made to Governor in Council no later than 15 days after the date of the tabling of the Public Accounts.

Additional Appropriations Approved During 2016

Additional appropriations, as indicated in the table above, were approved during the year. The details of these additional requests were as follows:

($ thousands)	Order in Council	Amount
Business	2015-311	2,837
Health and Wellness	2015-311	5,700
Labour and Advanced Education	2015-311	1,173
Transportation and Infrastructure Renewal	2015-311	3,531
Community Services	2015-368	14,398
Business	2016-94	4,708
Communities, Culture and Heritage	2016-94	2,465
Transportation and Infrastructure Renewal	2016-94	11,101
Pension Valuation Adjustment	2016-94	39,244
Total Additional Appropriations Approved		85,157

General Revenue Fund – Debt Servicing Costs

Gross debt servicing costs of the General Revenue Fund were $854.7 million in 2016, which was $17.9 million or 2.1 per cent lower than estimate and $21.5 million or 2.5 per cent lower than the prior year. The decrease from estimate was primarily due to a decrease of $14.7 million in interest on long-term debt associated with the Department of Finance and Treasury Board borrowing primarily floating interest rate notes in 2016, thereby taking advantage of much lower short-term interest rates. Additional savings of $4.9 million in interest on pension, retirement and other obligations were mainly due to changes in external valuations from updated member data, actuarial assumptions, and plan amendments.

Debt Servicing Costs
($ thousands)

	Estimate 2016	Actual 2016	Actual 2015	Actual vs Estimate Increase (Decrease)
Interest on Long-Term Debt	726,883	712,199	729,001	(14,684)
General Interest	7,680	9,398	11,918	1,718
Interest on Pension, Retirement and Other Obligations	138,049	133,124	135,325	(4,925)
Debt Servicing Costs – Gross	872,612	854,721	876,244	(17,891)
Less: Sinking Fund Earnings	99,549	95,982	103,892	(3,567)
Debt Servicing Costs – Net	773,063	758,739	772,352	(14,324)

Debenture Debt

The General Revenue Fund's net debenture debt (outstanding debentures less Sinking Fund and Public Debt Management Fund assets) was $13.1 billion in Canadian dollar equivalents at March 31, 2016 (2015 – $13.0 billion).

The Province of Nova Scotia provides sinking fund installments for certain term debt issues. Annual sinking fund installments generally range from 1.0 per cent to 3.0 per cent of the original issue, but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Installments are designed to fully fund the issue over the life of the debt. Sinking Fund and Public Debt Management Fund assets are used solely for debt retirement.

Outstanding Debentures – (CDN$ Equivalents)
($ thousands)

	Actual 2016	Actual 2015
Debentures Payable in Canadian Dollars		
Canada Pension Plan Investment Fund	1,079,352	1,079,352
Other Issues	14,619,903	14,557,378
Less: Sinking Funds and Public Debt Management Fund	(2,595,750)	(2,675,796)
Net Debenture Debt	13,103,505	12,960,934

General Revenue Fund – Annual Borrowing Plan

Section 35 of the *Finance Act* provides for Governor in Council approval of an annual borrowing plan submitted by the Minister of Finance and Treasury Board. In 2016, the Minister was granted approval for a $1,500 million borrowing plan. The requested authority was larger than the borrowing program stated in the 2016 Estimates in the event that circumstances arose requiring the Province to borrow monies in excess of projected requirements, or financial markets were favourable and the Province deemed it prudent to pre-borrow for future years.

The Province took advantage of the opportunities to issue a floating interest rate note and a fixed interest rate private placement, borrowing a total of $1,055 million in 2016.

NOVA SCOTIA

CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2016

Statement of Responsibility
for the Consolidated Financial Statements of the Province of Nova Scotia

Responsibility for the integrity, objectivity, and fair presentation of the consolidated financial statements of the Province of Nova Scotia rests with the government. These financial statements are prepared on behalf of the Minister and Deputy Minister of Finance and Treasury Board by the Controller in accordance with the accounting principles recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other CPA Canada and International Federation of Accountants accounting standards or pronouncements.

The consolidated financial statements include a Consolidated Statement of Financial Position, Consolidated Statement of Operations and Accumulated Deficits, Consolidated Statement of Changes in Net Debt, and Consolidated Statement of Cash Flow. They present fairly, in all material respects, the financial position and the results of operations for the year ended March 31, 2016. The government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained.

Under the mandate in Section 19 of the *Auditor General Act*, the Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.

Geoffrey Gatien, CPA, CA
Associate Deputy Minister and Controller

5161 George Street
Royal Centre, Suite 400
Halifax, Nova Scotia
B3J 1M7

Auditor General of Nova Scotia

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Province of Nova Scotia, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated deficits, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Government's Responsibilities for the Consolidated Financial Statements

The Government of Nova Scotia is responsible for the preparation and fair representation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Province of Nova Scotia as at March 31, 2016, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Michael A. Pickup, CPA, CA
Auditor General of Nova Scotia

July 27, 2016
Halifax, Nova Scotia

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Statement 1

Province of Nova Scotia
Consolidated Statement of Financial Position
As at March 31, 2016
($ thousands)

	2016	2015
Financial Assets		
Cash and Short-Term Investments	710,041	612,762
Accounts Receivable	840,380	777,431
Inventories for Resale	6,890	7,203
Loans Receivable (Schedule 3)	2,400,924	2,372,800
Investments (Schedule 3)	91,581	123,494
Investment in Government Business Enterprises (Schedule 6)	189,795	158,587
	4,239,611	4,052,277
Liabilities		
Bank Advances and Short-Term Borrowings	576,210	549,908
Accounts Payable and Accrued Liabilities	1,937,188	1,931,645
Deferred Revenue (Note 3)	235,049	238,767
Accrued Interest	216,798	215,820
Unmatured Debt (Schedules 4 and 5)	13,524,557	13,434,240
Unamortized Foreign Exchange Translation Gains and Losses, Premiums and Discounts	107,466	136,207
Federal Equalization Repayable Loan (Note 4)	—	12,032
Pension, Retirement and Other Obligations (Note 5)	2,739,277	2,564,273
	19,336,545	19,082,892
Net Debt	(15,096,934)	(15,030,615)
Non-Financial Assets		
Tangible Capital Assets (Schedule 7)	5,724,134	5,686,606
Inventories of Supplies	70,504	55,843
Prepaid Expenses	18,710	15,238
	5,813,348	5,757,687
Accumulated Deficits	(9,283,586)	(9,272,928)

Restricted Assets (Note 2)
Contingencies and Contractual Obligations (Note 10)
Trust Funds under Administration (Note 12)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 2

Province of Nova Scotia
Consolidated Statement of Operations and Accumulated Deficits
For the fiscal year ended March 31, 2016
($ thousands)

	Adjusted Estimate 2016	Actual 2016	Actual 2015
Revenue (Schedule 1)			
Provincial Sources			
Tax Revenue	5,418,661	5,457,623	5,242,938
Other Provincial Revenue	1,389,935	1,471,931	1,489,994
Net Income from Government Business Enterprises (Schedule 6)	352,109	387,757	351,395
Investment Income	187,418	190,125	197,670
	7,348,123	7,507,436	7,281,997
Federal Sources	3,424,854	3,430,114	3,379,923
Total Revenue	10,772,977	10,937,550	10,661,920
Expenses (Schedule 2)			
Agriculture	64,988	63,673	75,546
Business	136,272	135,589	209,199
Communities, Culture and Heritage	64,223	66,035	62,345
Community Services	1,042,840	1,048,630	1,047,153
Education and Early Childhood Development	1,561,538	1,585,540	1,563,948
Energy	31,858	30,450	32,898
Environment	73,707	74,282	74,248
Finance and Treasury Board	14,415	12,581	12,496
Fisheries and Aquaculture	10,184	9,928	9,790
Health and Wellness	4,371,449	4,494,639	4,339,848
Internal Services	182,609	213,281	153,925
Justice	329,901	329,021	322,730
Labour and Advanced Education	416,278	404,666	410,328
Assistance to Universities	376,084	374,125	375,471
Municipal Affairs	175,088	160,564	153,118
Natural Resources	87,592	87,393	92,574
Public Service	203,233	196,251	188,845
Seniors	1,496	1,483	1,424
Transportation and Infrastructure Renewal	419,727	432,977	432,832
Restructuring Costs	175,853	98,639	138,683
Pension Valuation Adjustment (Note 5)	90,654	138,520	76,179
Refundable Tax Credits	150,968	120,644	133,980
Debt Servicing Costs (Note 6)	889,595	869,297	898,053
Total Expenses (Note 7)	10,870,552	10,948,208	10,805,613
Provincial Deficit	(97,575)	(10,658)	(143,693)
Accumulated Deficits, Beginning of Year		(9,272,928)	(9,129,235)
Accumulated Deficits, End of Year		(9,283,586)	(9,272,928)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 3

Province of Nova Scotia
Consolidated Statement of Changes in Net Debt
For the fiscal year ended March 31, 2016
($ thousands)

	Adjusted Estimate 2016	Actual 2016	Actual 2015
Net Debt, Beginning of Year	(15,030,615)	(15,030,615)	(14,761,747)
Changes in the Year			
Provincial Deficit	(97,575)	(10,658)	(143,693)
Acquisitions and Transfers of Tangible Capital Assets	(489,954)	(466,459)	(542,239)
Amortization of Tangible Capital Assets	430,736	424,332	410,637
Disposals of Tangible Capital Assets	—	4,599	8,897
Acquisitions of Inventories of Supplies	—	(14,661)	(1,080)
Acquisitions of Prepaid Expenses	—	(3,472)	(1,390)
Total Changes in the Year	(156,793)	(66,319)	(268,868)
Net Debt, End of Year	(15,187,408)	(15,096,934)	(15,030,615)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 4

Province of Nova Scotia
Consolidated Statement of Cash Flow
For the fiscal year ended March 31, 2016

($ thousands)

	2016	2015
Operating Transactions		
Provincial Deficit	(10,658)	(143,693)
Sinking Fund and Public Debt Management Fund Earnings	(95,982)	(103,892)
Amortization of Premiums and Discounts on Unmatured Debt	(781)	(863)
Amortization of Tangible Capital Assets	424,332	410,637
Net Income from Government Business Enterprises	(387,757)	(351,395)
Profit Distributions from Government Business Enterprises	356,550	334,248
Gain on Disposal of Tangible Capital Assets	(3,330)	(2,706)
Net Change in Other Items (Note 8)	123,340	46,839
	405,714	189,175
Investing Transactions		
Repayment of Loans	468,975	350,183
Advances and Investments	(502,123)	(590,482)
Write-offs	36,937	27,471
	3,789	(212,828)
Capital Transactions		
Acquisition of Tangible Capital Assets	(466,459)	(542,239)
Proceeds from Disposal of Tangible Capital Assets	7,929	11,603
	(458,530)	(530,636)
Financing Transactions		
Debentures Issued	1,039,848	1,186,667
Repayment of Federal Equalization Repayable Loan	(12,032)	(12,032)
Foreign Exchange Amortization	(27,175)	(19,233)
Sinking Fund Withdrawals (Installments)	177,719	(40,807)
Repayment of Debentures and Other Long-Term Obligations	(1,032,054)	(592,750)
	146,306	521,845
Cash Inflows (Outflows)	97,279	(32,444)
Cash Position, Beginning of Year	612,762	645,206
Cash Position, End of Year	710,041	612,762
Cash Position Represented by:		
Cash and Short-Term Investments	710,041	612,762

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Province of Nova Scotia
Notes to the Consolidated Financial Statements
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1. Financial Reporting and Accounting Policies

The Province's financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector, which are represented by the Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other accounting standards of CPA Canada and the International Federation of Accountants.

The consolidated financial statements are prepared using the following significant accounting policies:

(a) Government Reporting Entity

The government reporting entity (GRE) is comprised of the General Revenue Fund, other governmental units (GUs), government business enterprises (GBEs), and the Province's share of government partnership arrangements (GPAs). GUs and GBEs represent the entities that are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements. GPAs represent entities for which decision making and significant risks and benefits are shared with other parties outside of the GRE.

Trusts administered by the Province are excluded from the GRE and are disclosed in Note 12 for information purposes only.

(b) Principles of Consolidation

A GBE is a self-sustaining organization that has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. GBEs are accounted for on the modified equity basis. Their accounting principles are not adjusted to conform with those of the Province. The total net assets of all GBEs are included under Investment in GBEs on the Consolidated Statement of Financial Position. The total net income from all GBEs is reported as a separate item on the Consolidated Statement of Operations and Accumulated Deficits.

A GPA is a contractual arrangement between the government and a party or parties outside the GRE. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. The Province's interest in partnerships is accounted for using the modified equity method as GPAs do not meet the threshold of materiality and cost-benefit to use the proportionate consolidation method.

A GU is a government organization that is not a GBE or a GPA. GUs include government departments, public service units, funds, agencies, boards, commissions, government not-for-profit organizations, and service organizations. The accounts of GUs are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1(d). Significant inter-organization balances and transactions are eliminated.

A complete listing of the organizations within the Province's GRE is provided in Schedule 10.

1. Financial Reporting and Accounting Policies *(continued)*

(c) Presentation of Estimates

Each year, the Province prepares an annual budget, referred to as the Estimates, which represents the financial plan of the Province presented by the government to the House of Assembly for the fiscal year commencing April 1. The Estimates, forming the basis of the *Appropriations Act*, are prepared primarily for the management and oversight of the General Revenue Fund based upon the government's policies, programs, and priorities. Impacts of consolidation are summarized in the Estimates and included on a net basis as Consolidation and Accounting Adjustments.

For consolidation purposes, the Estimates were adjusted on a line-by-line basis to gross up the associated revenues and expenses of the consolidated entities in order to be comparative with these consolidated financial statements.

(d) Significant Accounting Policies

Revenues

Revenues are recorded on the accrual basis. The main components of revenue are various taxes, legislated levies, program recoveries, user fees, and investment income. Revenues from Personal and Corporate Income Taxes, as well as Harmonized Sales Tax and Petroleum Royalties, are accrued in the year earned based upon estimates using statistical models. Tax revenues are recorded at the amount estimated, after considering certain adjustments for non-refundable tax credits and other adjustments from the federal government. Refundable tax credits are not recognized as a reduction of tax revenues. Petroleum Royalties may be reduced by a portion of estimated abandonment costs for the future decommissioning or restoration of offshore field assets.

Government transfers are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

Expenses

Expenses are recorded on the accrual basis and are reported in more detail in Note 7, Expenses by Object. Grants and other government transfers are recognized as expenses in the period at the earlier of: 1) the transfer being authorized and all eligibility criteria are met by the recipients and 2) time of the payment.

Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets

Cash and Short-Term Investments are recorded at cost, which approximate market value, and include R-1 (low, middle, high) rated federal and provincial government bills or promissory notes, bankers' acceptances, term deposits, and commercial paper. Terms of investments are generally 1 to 90 days. The weighted average interest rate of short-term investments was 0.72 per cent at year-end.

Province of Nova Scotia
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1. Financial Reporting and Accounting Policies *(continued)*

Accounts Receivable and Advances are recorded at the principal amount less valuation allowances.

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower of cost and net realizable value.

Loans Receivable are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the loan. Any loan write-offs must be approved by the Governor in Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the investment. Any write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Liabilities

Bank Advances and Short-Term Borrowings have initial maturities of one year or less and are recorded at cost, which approximates market value. At year-end, short-term Canadian dollar borrowings had a weighted average interest rate of 0.63 per cent.

Liabilities for Contaminated Sites are recognized when an existing environmental standard is exceeded, the Province is directly responsible or accepts responsibility, the Province expects to remediate and give up future economic benefits, and a reasonable estimate of the amounts can be made. The liability is measured based on the best estimate of the expenditures required to complete the remediation, net of any expected recoveries. Contaminated sites are a result of any chemical, organic, radioactive material or live organism being introduced directly or via the air into soil, water, or sediment that exceeds an environmental standard.

Deferred Revenue is recorded when funds received are restricted by external parties for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized into revenue over time as the recognition criteria are achieved or is drawn down to reimburse third parties as conditions are met.

Unmatured Debt is comprised of debentures and various loans in Canadian and foreign currencies, as well as capital leases. Debt is recorded at par, net of sinking funds (including Public Debt Management Funds).

Hedge accounting is used when financial instruments form a hedging relationship, the relationship is highly effective, and it is considered to be consistent with the Province's financial risk management goals. To have reasonable assurance of the effectiveness of a hedging relationship, the Province must expect the relationship to be effective in achieving offsetting changes in the fair value or cash flows of the hedged item and the hedging item. Effectiveness requires a high correlation of changes in fair values or cash flows. To ensure hedge effectiveness, the Province employs non-speculative derivatives that match the critical terms of the underlying hedged item.

1. Financial Reporting and Accounting Policies *(continued)*

Hedging relationships include synthetic instruments, which involve relationships between two or more assets or liabilities with matching terms for the purpose of emulating the net cash flows or other characteristics of a single asset or liability. Synthetic instrument accounting is used to account for the assets and liabilities in a synthetic instrument relationship as though they were the item being emulated.

Sinking Fund and Public Debt Management Fund investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments, and the Government of Canada. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and installments are netted against sinking fund earnings.

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31 and upon entering into derivative contracts. Foreign exchange gains and losses on the translation of foreign currency are amortized on a straight-line basis over the remaining term of the related monetary item.

Premiums and Discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances, serial retirements, sinking fund balances, and installments are charged to debt servicing costs except as noted above.

Pension, Retirement and Other Obligations include various employee future benefit plans, including accumulated sick leave benefits, where responsibility for the provision of benefits rests with the Province. Liabilities for these plans are calculated using the projected benefit actuarial method using accounting assumptions that reflect the Province's best estimates of performance over the long term. The projected benefit actuarial method attributes the estimated cost of benefits to the periods of employee service. The net liability represents accrued employee benefits less the market related value of plan assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five-year period.

Contingent Liabilities, including provisions for losses on loan guarantees, are potential obligations that may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. In cases where an accrual is made, but exposure exists beyond the amount accrued, this excess exposure would also be disclosed, unless the impact is immaterial or the disclosure would have an adverse effect on the outcome of the contingency.

Net Debt

Net Debt represents the total liabilities of the Province less its financial assets. Net debt is the accumulation of current and past annual surpluses and deficits and net investments in non-financial assets.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2016

1. Financial Reporting and Accounting Policies *(continued)*

Non-Financial Assets
Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production and supply of goods and services, and are not intended for sale in the ordinary course of operations. They are recorded at gross historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development, and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, major equipment and software, vehicles, ferries, roads, highways, and bridges.

Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources, or works of art and historical treasures. Tangible capital assets are amortized to expense over the useful lives of the assets. The amortization methods and rates applied by the other governmental units are not adjusted to the methods and rates used by the General Revenue Fund.

Inventories of Supplies are held for consumption or use by the Province in the course of its operations and are recorded at the lower of cost and current replacement cost.

Prepaid Expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, that will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficits
Accumulated Deficits represent the total liabilities of the Province less financial assets and non-financial assets. This represents the cumulative balance of net surpluses and deficits arising from the operations of the Province.

(e) Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in the accruals for such items as pension, retirement and other obligations, liabilities for contaminated sites, and federal and provincial source revenues. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the Province's various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists in the liabilities for contaminated sites because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the Province's original remediation plans. Uncertainty related to Income and Sales Taxes, petroleum royalties, Canada Health Transfer, and Canada Social Transfer arises because of the possible differences between the estimated and actual economic growth and other assumptions used in statistical models to accrue these revenues.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2016

1. Financial Reporting and Accounting Policies *(continued)*

(f) Future Changes in Accounting Policies

The Public Sector Accounting Board has issued a number of new accounting standards that will be effective within the next few years as follows:

- PS 2200 Related Party Disclosures (effective April 1, 2017), a new standard defining related parties and establishing guidance on disclosure requirements for related party transactions
- PS 3210 Assets (effective April 1, 2017), a new standard providing guidance for applying the definition of assets and establishing disclosure requirements for assets
- PS 3320 Contingent Assets (effective April 1, 2017), a new standard defining and establishing guidance on disclosure requirements for contingent assets
- PS 3380 Contractual Rights (effective April 1, 2017), a new standard defining and establishing guidance on disclosure requirements for contractual rights
- PS 3420 Inter-Entity Transactions (effective April 1, 2017), a new standard establishing guidance on the accounting and reporting of transactions between public sector entities within a government's reporting entity
- PS 3430 Restructuring Transactions (effective April 1, 2018), a new standard defining a restructuring transaction and establishing guidance on recognition and measurement of assets and liabilities transferred in a restructuring transaction

The Province is currently assessing the impact of these standards on the consolidated financial statements.

2. Restricted Assets

As at March 31, 2016, assets of $56.1 million (2015 - $59.9 million) were designated for restricted purposes by parties external to the Province. Restricted cash and short-term investments totaled $18.1 million (2015 - $5.0 million) and comprised: $13.7 million (2015 - $nil) for Nova Scotia Health Authority (NSHA) Centre for Clinical Research, $3.1 million (2015 - $2.6 million) for gas market development as part of the Nova Scotia Market Development Initiative Fund, $1.0 million (2015 - $1.2 million) for endowment and scholarship funds, and $0.3 million (2015 - $1.2 million) for various other purposes.

Restricted investments totaled $38.0 million (2015 - $54.9 million) and comprised: $24.6 million for NSHA Centre for Clinical Research and other NSHA purposes (2015 - $33.5 million for Capital District Health Authority (CDHA) Centre for Clinical Research and $9.8 million for other CDHA purposes), $10.7 million (2015 - $9.0 million) for endowment funds, and $2.7 million (2015 - $2.6 million) for various other purposes.

Externally restricted inflows not spent by year-end create a liability that will be settled by using the restricted assets for their intended purposes. The restricted assets described in this note are segregated from other assets and will be used as prescribed in a future period.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2016

3. Deferred Revenue

The following balances are classified as deferred revenue:

($ thousands)	2016	2015
Housing Nova Scotia – Social Housing Agreement	49,486	57,824
Nova Scotia Health Authority – Capital and Research Funds	47,141	—
Capital District Health Authority – Capital and Research Funds	—	43,723
Provincial-Territorial Base Funding Agreement – Infrastructure and Highways	41,210	43,964
Izaak Walton Killam Health Centre – Capital and Research Funds	31,732	30,758
Resource Recovery Fund Board Inc. – Unearned Revenue from Container Deposits, Paint Levies, and Tire Deposits	17,974	15,387
Nova Scotia Community College	13,294	11,559
Seniors Pharmacare	5,029	5,458
Halifax Regional School Board	5,017	3,648
Waterfront Development Corporation Limited	3,427	3,650
Nova Scotia School Insurance Program	3,161	1,849
Trade Centre Limited	3,029	3,103
Cape Breton District Health Authority	—	2,036
Public Archives of Nova Scotia	2,296	2,004
Annapolis Valley Regional School Board	2,263	1,942
Nova Scotia Market Development Initiative Fund	1,101	1,511
Other Externally Restricted Funds	8,889	10,351
Total Deferred Revenue	235,049	238,767

4. Federal Equalization Repayable Loan

The Province received an equalization repayable loan from the federal government in March 2005 in the amount of $120.3 million. The loan was interest-free and was to be repaid over 10 years, with bi-monthly deductions of $0.5 million that commenced in April 2006. As at March 31, 2016, the balance of the loan was $nil (2015 – $12.0 million).

5. Pension, Retirement and Other Obligations

The Province offers a variety of pension and other retirement, post-employment, compensated absences (accumulated sick leave), and special termination benefits. The Province is responsible for adequately funding most of the plans. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Province to pay benefits occurs.

(a) Description of Obligations

Pension Benefit Plans

The Province participates in two funded pension plans, the Nova Scotia Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP). Both plans are defined benefit plans with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures, secured mortgages, and real estate. The plans are jointly funded with contributions from employees being matched by the Province. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments.

5. Pension, Retirement and Other Obligations *(continued)*

On April 1, 2013, the PSSP transitioned to a joint governance structure where the Minister of Finance transferred responsibility for the PSSP to the Public Service Superannuation Plan Trustee Inc. (PSSPTI), the new trustee of the PSSP. PSSPTI is a body corporate comprised of 13 board members – six representing the Province as the employer, six representing the employees, and an independent chairperson. Due to this change, the Province no longer has any residual liability for the PSSP and therefore does not record PSSP assets or liabilities in these financial statements. The Province's pension expense for the PSSP is now limited to the contributions paid to the PSSP as an employer, which are equal to the employee contributions. The contribution rate is set by PSSPTI pursuant to the legislated funding policy and is set for a five-year cycle.

As at December 31, 2014, the PSSP was 104.7 per cent funded. Based on PSSPTI's review of the PSSP's funded health at that time, indexing of 0.85 per cent per year was approved for January 1, 2016 to December 31, 2020 and no changes to member and employer plan contributions were made. The Province's employer contributions to the PSSP in 2016 were $82.2 million (2015 – $84.6 million).

On April 1, 2006, the Minister of Finance transferred responsibility for the governance of the Nova Scotia Teachers' Pension Plan to the Teachers' Pension Plan Trustee Inc. (TPPTI). TPPTI is a body corporate comprised of nine board members – four nominated by the Nova Scotia Teachers' Union, four nominated by the Province, and one Chair agreed to by both parties. As a result of this transfer, the Province and Union agreed to share all surpluses and deficits of the plan equally. The Province accounts for one-half of all components of the accrued benefit liability associated with this plan in its financial statements. In addition, the Province recognizes one-half of components associated with the net benefit plans expense (recovery) associated with this plan. As at March 31, 2016, the total accrued benefit liability associated with this plan was $590.6 million (2015 – $515.9 million).

The Province has several unfunded defined benefit pension plans. The majority of these plans do not require contributions from employees. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments.

Employees in the health sector are members of a multi-employer defined benefit pension plan. As the Province does not sponsor this plan, the annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. The accrued benefit asset (liability) of this plan is not recognized in these financial statements. The most recent actuarial valuation was performed on July 1, 2014 and extrapolated to December 31, 2015, which indicated a funding surplus of $1,604.5 million. The Province's employer contributions to this plan in 2016 were $97.1 million (2015 – $100.4 million).

Other Retirement Benefits

The Province sponsors two other retirement benefits: retirement allowances and retirement health plan benefits. These plans are not funded. Benefits paid upon retirement for retirement allowances are based on an employee's length of service and rate of pay. Retirement health plan benefits vary depending on the collective agreements negotiated with each group. The Province pays 65.0 per cent and 100.0 per cent of the cost of retirement health plan benefits for the PSSP and TPP retirees, respectively.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2016

5. Pension, Retirement and Other Obligations *(continued)*

Effective April 1, 2015, the Province discontinued its retirement allowance plans for non-bargaining unit staff. As part of current contract negotiations, the Province has proposed the withdrawal of its retirement allowance plans for unionized staff effective April 1, 2015, and no new members will be admitted into the plans. The payment of retirement allowances will be deferred until retirement and will be calculated based on accumulated service as of April 1, 2015, or as of the first day of a new collective agreement for those contracts expiring after that date, and salary upon retirement. The Province has reflected the discontinuation of these retirement allowances for both unionized and non-bargaining unit staff in the current year by recognizing a loss on curtailment of $24.2 million and $73.1 million of deferred losses related to these plans. The Province expects these benefit changes for unionized staff to be ratified in the near future during ongoing contract negotiations. The discontinuation does not apply to a person who is entitled to receive a service award under the Public Service Award Regulations made under the *Provincial Court Act*.

Post-Employment Benefits
The Province offers a Self Insured Workers' Compensation Plan. For this plan, the amount recorded in these financial statements represents the actual amount of benefits paid during the year plus the actuarial estimate of future payments based on claims ongoing at year-end.

The Province also participates in the Nova Scotia Public Service Long Term Disability Plan (LTD Plan). Prior to this fiscal year, the Province accounted for the LTD Plan as part of Pension, Retirement and Other Obligations on the Consolidated Statement of Financial Position. Upon further review of the plan terms, the Province determined it has no residual responsibility to the LTD Plan for any shortfalls in funding. As a result, the Province has removed its accounting for the net position of the LTD Plan from these financial statements on a prospective basis.

The net asset amount recorded for the LTD Plan in 2015 is $1.5 million in Pension, Retirement and Other Obligations. This balance has been derecognized in 2016 and the resulting expense is included in Pension Valuation Adjustment. Furthermore, the Province made the following changes to the 2015 comparative figures in Note 5(b): Projected Benefit Obligation, End of Year decreased by $77.3 million, Market Related Value of Plan Assets, End of Year decreased by $141.1 million, Unamortized Net Losses decreased by $1.5 million, and Valuation Allowance increased by $65.3 million. This change also impacted the 2015 comparative figures in Note 5(e) as follows: the items relating to the LTD Plan were removed from the various components of Net Benefit Plan Expense and the net amount of $659.7 thousand was included in Other, Pension Valuation Adjustment decreased by $2.2 million, and Net Pension Interest Cost increased by $2.2 million.

The LTD Plan is managed and administered, under joint trusteeship, by a Board of Trustees appointed by the two plan Sponsors: the Province and the Nova Scotia Government and General Employees Union (NSGEU). The LTD Plan is funded equally by employer and employee contributions and all liability for benefits resides exclusively with the LTD Plan's trust fund. The Province's employer contributions to this plan in 2016 were $6.5 million (2015 – $6.8 million).

5. Pension, Retirement and Other Obligations *(continued)*

Accumulated Sick Leave Benefits

The Province's Regional School Boards, Health Authorities, and Nova Scotia Community College have collective agreements containing sick leave provisions that accumulate but do not vest. Under Public Sector Accounting Standards, governments must measure and record an obligation associated with the accumulated sick leave benefits (ASLBs) that are anticipated to be used in future years. The Province's ASLBs are unfunded, meaning there are no assets set aside to cover the related costs of these benefits in the future.

Due to the nature of these benefits, a liability and expense are measured using actuarial valuations to estimate their financial value. An actuarial assumption must be developed to reflect the probability of employees actually using ASLB "banked days". This involves a detailed analysis of several years of data to determine historical usage. A historical usage pattern is not based on the data group as a whole but must take into account a number of specific factors such as, but not limited to, gender, age, and type of contract or job responsibilities, each of which may impact the anticipated amount of accumulated sick leave time to be taken in the future. As a result, the anticipated usage assumption may involve a number of criteria and circumstances that then must be applied to the data in coordination with other actuarial assumptions such as discount rate, retirement assumptions, future salary increases, mortality tables, etc.

The recording of liabilities for ASLBs in 2016 is based on actuarial valuations that were completed in 2014 and 2015 and extrapolated to March 31, 2016.

Special Termination Benefits

The Province has offered early retirement incentive programs to members of the PSSP and TPP at various times commencing in 1986 and 1994, respectively. Qualified members were offered additional years of pensionable service if they elected to retire. The cost of these benefits was accrued in the year the employee accepted the early retirement option.

Retirement Obligations of Renova Scotia Bioenergy Inc. (Renova)

As part of the Province's acquisition of Renova on December 10, 2012, there were unfunded pension liabilities associated with various pension plans and retirement health benefits. The net unfunded liabilities of these plans totaled $112.0 million on the acquisition date. Land and other assets were subsequently sold, and the proceeds were used to fund the liabilities. As at March 31, 2016, all liabilities in respect to the defined benefit pension plans (2015 – $nil) and retirement health benefits plan (2015 – $9.0 million) have been settled, and there are no remaining associated assets or liabilities.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
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5. Pension, Retirement and Other Obligations *(continued)*

(b) Summary of Activity During the Year

The table below shows the components of the Pension, Retirement and Other Obligations for the year.

($ thousands)	Pension Benefits 2016	Other Benefits 2016	Total 2016	Total 2015
Projected Benefit Obligation, Beginning of Year	3,498,019	1,947,992	5,446,011	5,597,936
Current Benefit Cost	71,149	72,300	143,449	170,421
Interest Cost	218,691	75,778	294,469	297,073
Actuarial (Gains) Losses	(83,366)	70,275	(13,091)	8,640
Benefit Payments	(223,656)	(107,495)	(331,151)	(605,223)
Other	(84)	(107)	(191)	(1,580)
Curtailment	–	24,207	24,207	–
Plan Amendments	–	(522)	(522)	(21,256)
Projected Benefit Obligation, End of Year	3,480,753	2,082,428	5,563,181	5,446,011
Market Related Value of Plan Assets, Beginning of Year	2,475,230	–	2,475,230	2,646,564
Expected Return on Plan Assets	160,612	(400)	160,212	155,755
Actuarial Gains	3,179	–	3,179	51,629
Benefit Payments	(223,656)	(107,495)	(331,151)	(605,223)
Other	499	400	899	493
Employer Contributions	80,785	107,495	188,280	182,888
Employee Contributions	48,647	–	48,647	43,124
Market Related Value of Plan Assets, End of Year	2,545,296	–	2,545,296	2,475,230
Funded Status, End of Year	(935,457)	(2,082,428)	(3,017,885)	(2,970,781)
Unamortized Net Actuarial (Gains) Losses	288,521	(9,913)	278,608	406,508
Accrued Benefit Liability, End of Year	(646,936)	(2,092,341)	(2,739,277)	(2,564,273)

5. Pension, Retirement and Other Obligations *(continued)*

(c) Actuarial Assumptions

The table below shows significant assumptions used to measure pension and other benefit plan obligations.

	Pension Benefits		Other Benefits	
	2016	**2015**	**2016**	**2015**
Long-term inflation rates	2.00%	2.25%	2.00%	2.25%
Expected real rate of return on plan assets:				
TPP	4.61%	4.40%		
Rate of compensation increase	0.00% to 2.00% + merit	2.25% + merit	0.00% to 2.00% + merit	2.25% + merit
Discount rates:				
TPP	6.70%	6.75%		
Other Plans			3.71%	4.10%

Other assumptions

7.0 per cent annual rate increase in the cost per person for covered healthcare benefits in 2013-14, decreasing to an ultimate rate of 4.5 per cent per year over 15 years.

7.0 per cent annual rate increase in the cost per person for covered prescription drugs in 2013-14, decreasing to an ultimate rate of 4.5 per cent per year over 15 years.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Province's best estimate of performance over the long term.

(d) Other Disclosure

The net unamortized actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee groups ranging from 5 years to 18 years. The weighted-average EARSL is 15 years.

During the year, the weighted-average actual rate of return on plan assets was -1.2 per cent (2015 - 10.5 per cent). The total market value of plan assets at March 31, 2016 was $4.7 billion (2015 - $4.9 billion).

The most recent actuarial valuations performed for most of the benefit plans was at December 31, 2014 with the exception of certain other retirement benefit plans that were performed on various dates and the post-employment benefit plans that are performed annually at March 31.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2016

5. Pension, Retirement and Other Obligations *(continued)*

(e) Net Benefit Plans Expense

The table below shows the components of the net benefit plans expense.

($thousands)			2016	2015
	Pension Benefits	**Other Benefits**	**Total**	**Total**
Current Benefit Cost	71,149	72,300	143,449	170,421
Employee Contributions	(48,647)	(15)	(48,662)	(43,657)
Employer Contributions *	48,990	—	48,990	41,488
Plan Amendments	—	(522)	(522)	(21,256)
Curtailment	—	24,207	24,207	—
Amortization of Net Actuarial (Gains) Losses	38,593	(489)	38,104	42,282
Recognition of Actuarial (Gains) Losses on				
Plan Amendments	—	554	554	21,256
Curtailment	—	73,103	73,103	—
Settlement	—	(129)	(129)	—
Other	(576)	(341)	(917)	(786)
Interest Cost	218,691	75,778	294,469	297,073
Expected Return on Plan Assets	(160,612)	400	(160,212)	(155,755)
Employer Contributions to Multi-Employer Plan	179,234	6,517	185,751	191,790
Net Benefit Plans Expense	346,822	251,363	598,185	542,856
Recorded as:				
Fringe Benefits Expense	268,563	56,845	325,408	325,359
Pension Valuation Adjustment	20,180	118,340	138,520	76,179
Net Pension Interest Cost	58,079	76,178	134,257	141,318
Net Benefit Plans Expense	346,822	251,363	598,185	542,856

* This represents one-half of the employer contributions made by the Province to the TPP. Included in the figures above are one-half of all transactions associated with TPP to reflect the Province's share of this plan under joint trusteeship.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2016

6. Debt Servicing Costs

($ thousands)	2016	2015
CDN$ Denominated Debt	737,341	752,758
Pension, Retirement and Other Obligations	134,257	141,318
Capital Leases	11,262	13,075
Other Debt	10,175	12,876
Premium / Discount Amortization	(781)	(863)
Foreign Exchange	(22,957)	(21,111)
Total Debt Servicing Costs	869,297	898,053

Total debt servicing costs for the Province's government business enterprises were $7.3 million (2015 - $8.3 million) for the year ended March 31, 2016.

7. Expenses by Object

($ thousands)	2016	2015
Grants and Subsidies	3,715,025	3,633,915
Salaries and Employee Benefits	4,040,334	3,875,501
Operating Goods and Services	1,603,935	1,683,362
Professional Services	293,066	301,146
Amortization	424,332	410,637
Debt Servicing Costs	869,297	898,053
Other	2,219	2,999
Total Expenses by Object	10,948,208	10,805,613

8. Cash Flow — Net Change in Other Items

($ thousands)	2016	2015
Increase in Receivables from Government Business Enterprises	(4,054)	(2,112)
Increase in Accounts Receivable	(58,895)	(6,150)
Increase (Decrease) in Accounts Payable and Other Short-Term Borrowings	31,845	(88,119)
Decrease in Inventories for Resale	313	1,200
Decrease in Assets Held for Sale	—	2,507
Increase in Inventories of Supplies	(14,661)	(1,080)
Increase in Prepaid Expenses	(3,472)	(1,390)
Increase (Decrease) in Deferred Revenue	(3,718)	7,867
Increase in Accrued Interest	978	6,084
Increase in Pension, Retirement and Other Obligations	175,004	128,032
Total Net Change in Other Items	123,340	46,839

Province of Nova Scotia
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9. Contaminated Sites

Various provincially owned sites throughout the province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of damage to develop remediation plans. Provisions for these costs are recorded when it is determined a liability exists and a reasonable estimate of the remediation costs can be made. As at March 31, 2016, a total liability for contaminated sites of $171.7 million (2015 – $138.2 million) has been recorded in Accounts Payable and Accrued Liabilities.

Engineering and environmental studies generated estimates for the cost of remediation of the Sydney Steel Corporation (SYSCO) and adjacent sites as well as the Sydney Tar Ponds/Coke Ovens site. As a result, the Province recorded liabilities totaling $318.5 million in 2000 for environmental site clean-up. At March 31, 2016, $70.8 million (2015 – $73.0 million) remains unspent. This provision will continue to be utilized for future decommissioning, demolition, and remediation of SYSCO's and adjacent sites, including the long-term maintenance and monitoring of the Sydney Tar Ponds/Coke Ovens site. Based on currently available information, the provision, in aggregate, appears sufficient to cover the future estimated costs to remediate these sites.

Other remediation liabilities amounting to $100.9 million (2015 – $65.2 million) have also been recognized, and include $88.5 million (2015 – $51.7 million) for the remediation of Boat Harbour in Pictou County. The Province's estimate for the removal of effluent is based on environmental studies and engineering reports.

The Province has identified various other sites that may contain certain levels of contamination. No liability has been recognized for these sites as it is not known whether the extent of contamination exceeds an environmental standard, and the Province does not have a reasonable basis for measurement. The Province may record a liability in the future if contamination at any of these sites is determined to exceed an environmental standard and a reasonable estimate of the related remediation costs can be made.

10. Contingencies and Contractual Obligations

(a) Contingent Liabilities

Lawsuits
The Province is involved in various legal proceedings arising from government activities. These disputes have resulted from breaches of contract, damages suffered by individuals or property, and related elements. These claims include items with pleading amounts and items where an amount is not specified. While the total amount claimed in these actions may be significant, their outcomes are not certain.

When a liability is determined to likely exist and the amount can be reasonably estimated, the amount is recorded as an accrued liability and an expense. The accrued liability for pending litigation in process at March 31, 2016 was $32.2 million (2015 – $27.6 million).

10. Contingencies and Contractual Obligations *(continued)*

Guarantees
Guarantees by the Province are authorized by various acts of legislature and provided through specific agreements and programs to repay promissory notes, bank loans, lines of credit, mortgages, and other securities. Provisions for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provisions represents the Province's best estimate of future payments. Estimates take into consideration the nature of the loan guarantees, loss experience, and current conditions. The provisions are reviewed on an ongoing basis and changes in the provisions are recorded as expenses in the year they become known. Details on guarantees authorized, utilized, and accrued are presented in Schedule 8.

Other Contingent Liabilities
The Province also has contingent liabilities in the form of indemnities. The Province's potential liability, if any, cannot be determined at this time.

(b) Contingent Gains

The Province may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded once the contingent events occur, are measurable, and collectability is reasonably assured.

(c) Contractual Obligations

As at March 31, 2016, the Province has contractual obligations as follows:

($ thousands) **Fiscal Year**	**Governmental Units**	**Government Business Enterprises**	**Total Contractual Obligations**
2017	656,549	88,973	745,522
2018	594,788	16,992	611,780
2019	445,525	2,220	447,745
2020	425,539	16	425,555
2021	401,342	—	401,342
2022 to 2026	1,859,460	—	1,859,460
2027 to 2031	1,802,877	—	1,802,877
2032 to 2036	1,126,145	—	1,126,145
2037 and thereafter	130,713	—	130,713
	7,442,938	108,201	7,551,139

These contractual obligations are comprised of $7,159.1 million from the General Revenue Fund, $283.8 million from the Province's governmental units, and $108.2 million from the government business enterprises. Included are contractual obligations from the Department of Health and Wellness of $3,666.6 million for service agreements with long-term care facilities and $249.0 million for the management of the ground ambulance fleet, $2,361.4 million from the Department of Justice for Royal Canadian Mounted Police (RCMP) policing services, $127.7 million from the Department of Education and Early Childhood Development for P3 School maintenance agreements, and $162.7 million from Halifax Regional School Board for transportation services.

Province of Nova Scotia
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10. Contingencies and Contractual Obligations *(continued)*

Leases

As at March 31, 2016, the Province was contractually obligated under various operating leases. Future minimum annual lease payments are as follows:

($ thousands) **Fiscal Year**	**Governmental Units**	**Government Business Enterprises**	**Total Lease Payments**
2017	65,935	7,580	73,515
2018	51,171	7,429	58,600
2019	41,467	7,312	48,779
2020	33,480	6,882	40,362
2021	27,042	6,598	33,640
2022 to 2026	47,879	28,301	76,180
2027 to 2031	2,346	—	2,346
2032 to 2036	368	—	368
2035 & thereafter	—	—	—
	269,688	64,102	333,790

11. Risk Management and Use of Derivative Financial Instruments

As a result of borrowing in both Canadian and foreign financial markets and being a party to financial instruments, the Province is exposed to interest rate risk, foreign exchange risk, credit risk, and liquidity risk. The Province employs various risk management strategies and operates within fixed risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments (derivatives). Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to mitigate foreign exchange risk and interest rate risk. The Province does not use derivatives for speculative purposes.

Interest rate risk

Interest rate risk is the risk that debt servicing costs will vary unfavourably due to fluctuations in interest rates. To reduce its exposure to interest rate risk, the Province uses derivatives to manage the fixed and floating interest rate mix of its debt portfolio. Interest rate contracts include swap agreements and options on swaps. These contracts are used to vary the amounts and periods for which interest rates on borrowings are fixed or floating.

As at March 31, 2016, the Province has executed 37 interest rate swap contracts to convert certain interest payments from fixed to floating, floating to fixed, and floating to floating. These swaps have terms remaining of 0.8 years to 14.6 years, a notional principal value of $1.5 billion, and a negative mark to market value of -$4.4 million.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations. The Province manages its credit risk exposure from derivatives by, among other activities, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. The Province's policy requires that a minimum credit rating for counterparties to derivative transactions be "A" with a stable outlook as determined by the major credit rating agencies.

11. Risk Management and Use of Derivative Financial Instruments *(continued)*

Liquidity risk

Liquidity risk is the risk that the Province will not be able to meet its financial commitments over the short term. To reduce liquidity risk, the Province maintains liquid reserves (cash and cash equivalents) at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has a short-term note program, uncommitted bank lines, and discretionary sinking funds as alternative sources of liquidity. This risk is also managed by distributing debt maturities over many years and having up to 50.0 per cent of long-term debt with a maturity of over 15 years.

Foreign exchange risk

Foreign exchange risk is the risk that the cash flows needed to repay the interest and principal on loans in foreign currencies will vary due to fluctuations in foreign exchange rates. To manage this risk, the Province uses derivative contracts to convert foreign currency principal and interest cash flows into Canadian dollar denominated cash flows. Derivative contracts hedge the underlying debt by matching the critical terms to achieve effectiveness. Foreign exchange contracts include swap agreements that are used to convert the liability for foreign currency borrowing and associated costs into Canadian dollars.

The Province has currency swap contracts which convert foreign denominated debt into Canadian dollar denominated debt as follows:

Termination Date	Original Currency	Original Principal	Current Currency	Current Principal	Mark to Market[1]
		($ thousands)		*($ thousands)*	*($ thousands)*
April 16, 2019	UK£	60,000	CDN$	114,387	(2,755)
Total	UK£	60,000	CDN$	114,387	(2,755)
January 26, 2017	US$	500,000	CDN$	562,470	107,984
February 1, 2019	US$	200,000	CDN$	198,000	64,881
July 1, 2019	US$	200,000	CDN$	199,900	56,740
November 15, 2019	US$	244,000	CDN$	246,318	70,953
March 1, 2020	US$	300,000	CDN$	409,200	(23,989)
May 1, 2021	US$	300,000	CDN$	312,002	85,916
April 1, 2022	US$	300,000	CDN$	379,517	14,324
July 30, 2022	US$	300,000	CDN$	329,310	58,018
Total	US$	2,344,000	CDN$	2,636,717	434,827

[1] Mark to Market is an indication of the swap's market value as at March 31, 2016. It is also the equivalent of the present value of future cash flows based on market conditions at March 31, 2016.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2016

12. Trust Funds Under Administration

Trust fund assets solely administered by the Province are as follows:

($ thousands)	2016	2015
Sydney Steel Corporation Superannuation Plan [1, 2]	—	12
Nova Scotia Credit Union Deposit Insurance Corporation [3]	25,387	24,809
Public Trustee [1]	56,830	55,526
Miscellaneous Trusts [4]	25,149	24,384
Total Trust Funds Under Administration	107,366	104,731

[1] - *Financial statements of these funds are available in Public Accounts –Volume 2.*

[2] - *Administration of these assets was assumed during 2001.*

[3] - *Represents trust with December 31 year-end.*

[4] - *Miscellaneous trusts include a large number of relatively small funds.*

Other

The Nova Scotia Teachers' Union and the Province agreed to joint trusteeship of the Nova Scotia Teachers' Pension Plan effective April 1, 2006. Under joint trusteeship, the Trustee of the Plan is the Nova Scotia Teachers' Pension Plan Trustee Inc., of which the Province has four of nine members. The Trustee is responsible for the administration of the Fund and investment management of fund assets. Total net assets available for benefits as at December 31, 2015 were $4.7 billion (2014 – $4.7 billion).

Effective April 1, 2013, the Minister of Finance transferred responsibility of the Public Service Superannuation Plan to a new trustee, Public Service Superannuation Plan Trustee Inc. As a result of this transfer, the Province no longer has any responsibility for this plan. Total net assets available for benefits as at March 31, 2016 were $5.5 billion (2015 – $5.5 billion).

The Nova Scotia Public Service Long Term Disability Plan (LTD Plan) operates as a joint trusteeship. As such, the Board of Trustees is appointed by the two plan Sponsors: the Province and the Nova Scotia Government and General Employees Union (NSGEU). The Trustee is responsible for the administration of the Fund and investment management of fund assets. The LTD Plan is funded equally by employer and employee contributions and all liability for benefits resides exclusively with the LTD Plan's trust fund. Total net assets available for benefits as of December 31, 2015 were $149.1 million (2015 – $145.7 million).

13. Related Party Transactions

Included in these consolidated financial statements are insignificant transactions with various provincial crown corporations, agencies, boards, and commissions. Significant related party transactions have been offset and eliminated for purposes of consolidated reporting. Parties are deemed to be related to the General Revenue Fund due to common control or ownership by the Province of Nova Scotia.

The most significant unadjusted related party transactions are described in more detail in Schedule 6 – Government Business Enterprises.

14. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the presentation format adopted in the current year.

NOVA SCOTIA

Schedule 1

Revenue
For the fiscal year ended March 31, 2016
($ thousands)

	2016	2015
Provincial Sources		
Tax Revenue		
Personal Income Tax	2,648,157	2,334,136
Corporate Income Tax	398,109	543,376
Harmonized Sales Tax	1,770,080	1,749,866
Tobacco Tax	217,009	206,255
Motive Fuel Tax	254,011	248,274
Other Tax Revenue	170,257	161,031
	5,457,623	5,242,938
Other Provincial Revenue		
Recoveries	438,681	406,124
Other Revenue from Governmental Units	530,594	475,631
Municipal Contributions to School Boards	249,018	241,013
Petroleum Royalties	(91,752)	33,086
Registry of Motor Vehicles	130,317	123,032
Other Government Charges	61,626	62,249
Miscellaneous	149,945	146,105
Net Gain on Disposal of Crown Assets	3,502	2,754
	1,471,931	1,489,994
Net Income from Government Business Enterprises	387,757	351,395
Investment Income		
Interest Revenue	94,143	93,778
Sinking Fund and Public Debt Management Fund Earnings	95,982	103,892
	190,125	197,670
Total Provincial Sources	7,507,436	7,281,997
Federal Sources		
Equalization Payments	1,777,759	1,750,653
Canada Health Transfer	899,593	860,397
Canada Social Transfer	341,034	334,734
Recoveries	215,531	203,972
Offshore Accord	36,779	64,481
TCA Cost Shared Revenue	32,410	21,950
Crown Share	(2,716)	14,058
Other Federal Transfers	129,724	129,678
Total Federal Sources	3,430,114	3,379,923
Total Revenue	10,937,550	10,661,920

Schedule 2

Expenses

For the fiscal year ended March 31, 2016

($ thousands)

	2016	2015
Agriculture		
Department of Agriculture	55,033	68,426
Nova Scotia Crop and Livestock Insurance Commission	3,282	2,723
Nova Scotia Harness Racing Fund	983	984
Perennia Food & Agriculture Incorporated	4,375	3,413
	63,673	75,546
Business		
Department of Business	46,033	101,364
Bioscience Enterprise Centre Incorporated	28	2
Film and Creative Industries Nova Scotia	381	4,973
Nova Scotia Business Inc.	28,957	43,023
Nova Scotia Innovation Corporation	14,999	11,580
Nova Scotia Strategic Opportunities Fund Incorporated	10	9
Renova Scotia Bioenergy Inc.	18	—
Nova Scotia Tourism Agency	—	26,694
Tourism Nova Scotia	25,306	—
Trade Centre Limited	14,845	16,347
Waterfront Development Corporation Limited	5,012	5,207
	135,589	209,199
Communities, Culture and Heritage		
Department of Communities, Culture and Heritage	60,039	56,286
Art Gallery of Nova Scotia	3,672	3,710
Public Archives of Nova Scotia	109	123
Schooner Bluenose Foundation	31	94
Sherbrooke Restoration Commission	2,154	2,107
Vive l'Acadie Community Fund	30	25
	66,035	62,345
Community Services		
Department of Community Services	886,139	892,240
Housing Nova Scotia	162,491	154,913
	1,048,630	1,047,153
Education and Early Childhood Development		
Department of Education and Early Childhood Development	330,307	314,317
Annapolis Valley Regional School Board	134,890	134,005
Cape Breton Victoria Regional School Board	153,077	152,525
Chignecto-Central Regional School Board	200,536	201,893
Conseil scolaire acadien provincial	65,592	63,179
Halifax Regional School Board	465,896	460,719
Nova Scotia School Boards Association	586	658
Nova Scotia School Insurance Program	4,237	5,812
South Shore Regional School Board	75,317	76,387
Strait Regional School Board	84,791	83,345
Tri-County Regional School Board	70,311	71,108
	1,585,540	1,563,948

Schedule 2

Expenses ***(continued)***
For the fiscal year ended March 31, 2016
($ thousands)

	2016	2015
Energy		
Department of Energy	29,920	31,695
Nova Scotia Market Development Initiative Fund	411	1,114
Pengrowth Nova Scotia Energy Scholarship Fund	119	89
	30,450	32,898
Environment		
Department of Environment	24,783	25,859
Resource Recovery Fund Board Inc.	49,499	48,389
	74,282	74,248
Finance and Treasury Board		
Department of Finance and Treasury Board	12,581	12,474
3052155 Nova Scotia Limited	—	22
	12,581	12,496
Fisheries and Aquaculture		
Department of Fisheries and Aquaculture	9,543	9,411
Nova Scotia Sportfish Habitat Fund	385	379
	9,928	9,790
Health and Wellness		
Department of Health and Wellness	2,128,647	1,961,008
Annapolis Valley District Health Authority	—	140,038
Cape Breton District Health Authority	—	316,844
Capital District Health Authority	—	986,028
Colchester East Hants Health Authority	—	97,306
Cumberland Health Authority	—	67,562
Gambling Awareness Foundation of Nova Scotia	42	81
Guysborough Antigonish Strait Health Authority	—	92,369
Izaak Walton Killam Health Centre	281,859	289,069
Nova Scotia Health Authority	1,977,071	—
Nova Scotia Health Research Foundation	6,243	5,799
Pictou County Health Authority	—	87,112
Provincial Drug Distribution Program	100,777	96,065
South Shore District Health Authority	—	94,522
South West Nova District Health Authority	—	106,045
	4,494,639	4,339,848
Internal Services		
Department of Internal Services	207,932	149,992
Harbourside Commercial Park Inc.	1,060	574
Nova Scotia Lands Inc.	4,289	3,359
	213,281	153,925
Justice		
Department of Justice	302,221	293,603
Law Reform Commission of Nova Scotia	277	302
Nova Scotia Legal Aid Commission	26,523	28,825
	329,021	322,730

Schedule 2

Expenses ***(continued)***
For the fiscal year ended March 31, 2016
($ thousands)

	2016	2015
Labour and Advanced Education		
Department of Labour and Advanced Education	198,083	200,887
Nova Scotia Community College	206,583	209,441
	404,666	410,328
Assistance to Universities	374,125	375,471
Municipal Affairs		
Department of Municipal Affairs	155,111	147,482
Nova Scotia E911 Cost Recovery Fund	4,712	4,804
Nova Scotia Municipal Finance Corporation	741	832
	160,564	153,118
Natural Resources		
Department of Natural Resources	82,875	88,300
Acadia Coal Company Limited Fund	1	3
Crown Land Mine Remediation Fund	45	30
Crown Land Silviculture Fund	2,730	2,314
Habitat Conservation Fund	186	216
Nova Scotia Primary Forest Products Marketing Board	99	143
Off-Highway Vehicle Infrastructure Fund	1,454	1,363
Species-at-risk Conservation Fund	3	5
Sustainable Forestry Fund	—	200
	87,393	92,574
Public Service		
Public Service	187,831	180,526
Nova Scotia Utility and Review Board	8,420	8,319
	196,251	188,845
Seniors		
Department of Seniors	1,483	1,424
Transportation and Infrastructure Renewal		
Department of Transportation and Infrastructure Renewal	432,977	432,832
Restructuring Costs	98,639	138,683
Pension Valuation Adjustment	138,520	76,179
Refundable Tax Credits	120,644	133,980

Schedule 2

Expenses *(continued)*
For the fiscal year ended March 31, 2016
($ thousands)

	2016	2015
Debt Servicing Costs		
General Revenue Fund	824,155	842,602
Annapolis Valley District Health Authority	—	865
Annapolis Valley Regional School Board	788	913
Cape Breton District Health Authority	—	2,194
Cape Breton Victoria Regional School Board	916	1,162
Capital District Health Authority	—	8,941
Chignecto-Central Regional School Board	1,250	1,572
Colchester East Hants Health Authority	—	507
Conseil scolaire acadien provincial	340	423
Cumberland Health Authority	—	399
Guysborough Antigonish Strait Health Authority	—	538
Halifax Regional School Board	3,710	4,407
Housing Nova Scotia	14,517	16,889
Izaak Walton Killam Health Centre	2,006	2,112
Nova Scotia Community College	2,171	2,204
Nova Scotia Health Authority	14,640	—
Nova Scotia Innovation Corporation	81	84
Nova Scotia Legal Aid Commission	413	429
Nova Scotia Municipal Finance Corporation	164	158
Nova Scotia Strategic Opportunities Fund Incorporated	2,169	3,035
Nova Scotia Utility and Review Board	36	37
Perennia Food & Agriculture Incorporated	—	33
Pictou County Health Authority	—	502
Renova Scotia Bioenergy Inc.	500	5,000
Resource Recovery Fund Board Inc.	8	3
Sherbrooke Restoration Commission	40	47
South Shore District Health Authority	—	615
South Shore Regional School Board	304	396
South West Nova District Health Authority	—	771
Strait Regional School Board	552	667
Tourism Nova Scotia	77	—
Trade Centre Limited	65	69
Tri-County Regional School Board	381	469
Waterfront Development Corporation Limited	14	10
	869,297	898,053
Total Expenses	10,948,208	10,805,613

Schedule 3

Loans and Investments

As at March 31, 2016

($ thousands)

	Loans and Investments	Provisions	Net 2016	Net 2015
Loans Receivable				
Agriculture and Rural Credit Act	180,961	10,981	169,980	171,093
Educational & Services Products (NS) Limited	15	–	15	15
Labour and Advanced Education – Student Loans Direct Lending	220,267	112,415	107,852	103,518
Fisheries Development Act	104,123	1,438	102,685	108,653
Halifax Dartmouth Bridge Commission	160,000	—	160,000	160,000
Nova Scotia Business Inc.	55,301	26,332	28,969	33,793
Housing Nova Scotia	578,214	4,799	573,415	591,128
Nova Scotia Innovation Corporation	8,001	4,263	3,738	3,148
Nova Scotia Jobs Fund	615,471	196,297	419,174	344,836
Nova Scotia Market Development Initiative Fund	1,120	–	1,120	2,240
Nova Scotia Municipal Finance Corporation	813,386	—	813,386	809,098
Nova Scotia Strategic Opportunities Fund Incorporated	20,141	—	20,141	45,083
Perennia Food & Agriculture Incorporated	273	—	273	—
Resource Recovery Fund Board Inc.	164	—	164	178
Venture Corporations Act	559	559	—	—
Waterfront Development Corporation Limited	12	—	12	17
Total Loans Receivable	2,758,008	357,084	2,400,924	2,372,800
Investments				
Art Gallery of Nova Scotia	3,594	—	3,594	2,831
Gambling Awareness Foundation of Nova Scotia	3,782	—	3,782	3,673
Nova Scotia Business Inc.	41,071	28,016	13,055	13,992
Nova Scotia Community College	8,872	—	8,872	7,269
Nova Scotia Health Authority	24,557	—	24,557	59,906
Nova Scotia Innovation Corporation	36,421	12,615	23,806	21,582
Nova Scotia Jobs Fund	26,438	23,438	3,000	2,999
Nova Scotia School Insurance Program	8,381	—	8,381	9,166
Perennia Food & Agriculture Incorporated	1,488	—	1,488	1,038
Public Archives of Nova Scotia	1,046	—	1,046	1,038
Total Investments	155,650	64,069	91,581	123,494

The provisions listed above include $0.3 million (2015 – $2.7 million) for possible guarantee payouts from the *Nova Scotia Jobs Fund Act*. Also included in the provisions is $8.5 million (2015 – $8.9 million) for the Debt Reduction Assistance Program of the Department of Labour and Advanced Education Student Loans of which $0.4 million (2015 – $3.3 million) relates to the student loans guaranteed by the Province.

Schedule 4

Unmatured Debt

As at March 31, 2016

($ thousands)

	Gross Unmatured Debt	Sinking Funds and Defeasance Assets	Net Unmatured Debt 2016	Net Unmatured Debt 2015
General Revenue Fund	15,942,116	2,595,750	13,346,366	13,249,724
Housing Nova Scotia	168,053	—	168,053	176,526
Nova Scotia Health Authority	194	—	194	417
Nova Scotia Municipal Finance Corporation	8,919	—	8,919	7,168
Nova Scotia Power Finance Corporation	739,130	739,130	—	—
Waterfront Development Corporation Limited	1,025	—	1,025	405
Total Unmatured Debt	16,859,437	3,334,880	13,524,557	13,434,240

Gross Unmatured Debt

All debt is presented in Canadian dollar equivalents and after giving effect to currency swap contracts itemized in Note 11.

Gross Unmatured Debt consists of the outstanding current and long-term debt of the Province's General Revenue Fund and governmental units. Current and long-term debt of the government business enterprises is reflected on the Consolidated Statement of Financial Position in Investment in Government Business Enterprises and further detailed in Schedule 6.

Sinking Fund Assets

As at March 31, 2016, the General Revenue Fund held Sinking Funds and Public Debt Management Funds of $2,595.8 million (2015 – $2,675.8 million). These funds were comprised of $2,429.0 million in Sinking Funds and $166.8 million in Public Debt Management Funds. The total market value of both funds was $2,900.7 million at year-end. During the year, contributions were $26.3 million, total earnings were $96.0 million, and total redemptions were $204.0 million.

Sinking fund assets are recorded at cost, which include premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized on a straight-line basis over the term of the related investment. The net unamortized portion of the premiums and discounts relating to sinking fund assets as at March 31, 2016 was $28.9 million (2015 – $36.4 million) and is included as part of the value of the sinking funds.

Schedule 4

Unmatured Debt *(continued)*

As at March 31, 2016

($ thousands)

Sinking fund assets consist primarily of debentures of the provincial governments and Government of Canada with fixed interest rates ranging from 2.1 to 9.6 per cent. Sinking fund payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over the relevant period to maturity. The Province held a carrying value of $493.9 million (2015 – $559.2 million) of its own debentures in Sinking Funds and Public Debt Management Funds as active investments at March 31, 2016.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other provincial governments and utilities, and Federal US bonds, coupons, and residuals. This debt is shown net of defeasance assets on the Consolidated Statement of Financial Position.

Debt Repayments

Projected net principal repayments, capital lease payments, and sinking fund requirements for the next five years and thereafter are as follows:

	Net Principal Repayments	Capital Lease Payments	Sinking Fund Payments	Total Payments
2017	1,042,423	32,492	26,309	1,101,224
2018	446,393	34,748	26,309	507,450
2019	1,243,152	34,028	24,048	1,301,228
2020	1,962,221	27,110	17,899	2,007,230
2021	1,072,073	20,535	17,899	1,110,507
2022 and thereafter	7,470,589	16,312	10,017	7,496,918
	13,236,851	165,225	122,481	13,524,557

Net principal repayments are comprised of the principal amounts due on loans and debentures less available designated sinking funds to retire the debentures.

In addition, the Province has approximately $866.8 million (2015 – $856.2 million) in unrestricted sinking funds that can be used towards the retirement of any unmatured debt. The use of these funds is evaluated each year based on a detailed analysis of cash requirements and market conditions.

NOVA SCOTIA

Schedule 5

Gross Unmatured Debt
As at March 31, 2016
($ thousands)

	Foreign Exchange Rate	CDN $ Amount	Maturity Dates	Interest Rates
Debentures				
General Revenue Fund (CDN$)		15,699,255	2016 to 2062	1.6% to 11.75%
General Revenue Fund (US$)	0.771	—	2017 to 2022	5.13% to 9.50%
General Revenue Fund (UK£)	0.536	—	2019	11.75%
Nova Scotia Municipal Finance Corporation		8,919	2016 to 2032	1.75% to 2.62%
Nova Scotia Power Finance Corporation (CDN$)		350,000	2020 to 2031	10.25% to 11.00%
Nova Scotia Power Finance Corporation (US$)	0.771	389,130	2021	9.40%
Total Debentures		16,447,304		
Loans				
General Revenue Fund – Other Debt		77,830	2016 to 2021	0.72% to 2.68%
Housing Nova Scotia		168,053	2016 to 2035	1.53% to 10.50%
Waterfront Development Corporation Limited		1,025	Demand loan	—
Total Loans		246,908		
Capital Leases				
General Revenue Fund		165,031	2018 to 2026	6.04% to 7.25%
Nova Scotia Health Authority		194	2017	6.29%
Total Capital Leases		165,225		
Gross Unmatured Debt		16,859,437		

Call, Redemption and Other Features

General Revenue Fund

Canadian debentures include $1,079.4 million in Canada Pension Plan (CPP) debentures, which are redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada.

The interest rates shown for the Canadian and US debentures reflect the fixed interest rates only. There are debentures that have floating interest rates. Floating interest rates are adjusted on a quarterly basis.

Housing Nova Scotia

Mortgages and notes payable are secured by investments in social housing.

Schedule 6

Government Business Enterprises

As at March 31, 2016

($ thousands)

						2016	2015
	Halifax-Dartmouth Bridge Commission	Highway 104 Western Alignment Corporation	Nova Scotia Liquor Corporation	Nova Scotia Provincial Lotteries and Casino Corporation	QEII Health Sciences Centre Auxiliary	Total	Total
Cash	6,698	1,388	14,167	22,183	2,695	47,131	54,214
Accounts Receivable	4,173	1,565	2,566	47,369	438	56,111	44,360
Inventory	—	13	52,008	1,976	309	54,306	49,953
Investments	102,243	49,439	—	1	—	151,683	184,541
Tangible Capital Assets	184,574	28,027	43,622	81,466	1,259	338,948	291,708
Other Assets	230	495	4,939	9,156	3	14,823	16,383
Total Assets	297,918	80,927	117,302	162,151	4,704	663,002	641,159
Accounts Payable	13,985	6,395	44,032	107,177	3,856	175,445	166,634
Unmatured Debt	178,551	39,435	—	31,379	—	249,365	261,275
Other Liabilities	6,812	5,225	26,479	9,758	123	48,397	54,663
Total Liabilities	199,348	51,055	70,511	148,314	3,979	473,207	482,572
Equity	98,570	29,872	46,791	13,837	725	189,795	158,587
Total Liabilities and Equity	297,918	80,927	117,302	162,151	4,704	663,002	641,159
Total Revenue	31,575	23,300	612,420	445,533	9,065	1,121,893	1,060,258
Debt Servicing	1,064	4,172	1,045	1,046	—	7,327	8,331
Other Expenses	15,951	15,108	370,118	316,961	8,671	726,809	700,532
Total Expenses	17,015	19,280	371,163	318,007	8,671	734,136	708,863
Net Income	14,560	4,020	241,257	127,526	394	387,757	351,395

Government Business Enterprises *(continued)*
As at March 31, 2016

Halifax-Dartmouth Bridge Commission

The Halifax-Dartmouth Bridge Commission (HDBC), operating as Halifax Harbour Bridges, was created in 1950 by a special statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*). The purpose of HDBC is to construct, maintain, and operate bridges and their necessary approaches across the Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

HDBC currently operates and maintains two toll bridges across the Halifax Harbour: the Angus L. Macdonald Bridge and A. Murray MacKay Bridge. In accordance with the *Halifax-Dartmouth Bridge Commission Act*, the Nova Scotia Utility and Review Board, a provincially controlled public sector entity, sets the rates, tolls, and charges to be paid for the use of the two bridges operated by HDBC.

Beginning in the Spring of 2015, HDBC embarked on a significant and necessary project known as "The Big Lift". This involves replacing the road deck, floor beams, stiffening trusses, and suspender ropes on the suspended spans of the Angus L. Macdonald Bridge. When the project is complete, a significant amount of the bridge infrastructure will be new. This will help to extend the life of the bridge and reduce future maintenance. As at March 31, 2016, this work is still ongoing with the overall project scheduled to be complete by the Fall of 2017.

Long-Term Loan Agreements with the Province

2007 Loan Agreement — On July 25, 2007, HDBC entered into a long-term unsecured loan agreement with the Province for $60.0 million with a final maturity date of December 4, 2019. This agreement requires annual principal repayments of $3.0 million plus interest, with a final principal repayment of $9.6 million along with all accrued and unpaid interest thereon due on the final maturity date. At March 31, 2016, HDBC had a balance of $18.6 million (2015 - $21.6 million) repayable on the loan, of which $3.0 million is due within a year. HDBC made a $17.4 million prepayment of the principal on October 22, 2014, which was applied against the final payment on maturity due in 2019.

Interest is payable semi-annually on June 4th and December 4th of each year. The average interest rate over the life of the loan is 5.19 per cent. Interest expense on the long-term debt for the current year was $1.1 million (2015 - $1.7 million), of which $310.0 thousand (2015 - $356.0 thousand) was payable at year-end.

2015 Loan Agreement – On February 6, 2015, HDBC entered into a long-term unsecured loan agreement with the Province for $160.0 million in relation to the capital project to replace the suspended span of the Angus L. Macdonald Bridge. This loan is to be repaid over twenty years starting June 1, 2019 with annual principal repayments of between $4.0 million and $10.0 million. Interest is paid semi-annually on June 1st and December 1st of each year. The average interest rate over the life of the loan is 2.80 per cent. Capitalized interest on the loan for the current year was $4.3 million (2015 - $636.0 thousand), of which $1.4 million (2015 - $636.0 thousand) was payable at year-end.

Restricted Reserve Funds

The 2007 and 2015 Loan Agreements require that HDBC maintain three reserve funds: an Operating, Maintenance & Administrative Fund (OM Fund), Debt Service Fund, and Capital Fund. At year-end, restricted assets for these funds totaled $10.8 million (2015 - $6.5 million) and were invested in GICs with rates between 0.80 and 0.86 per cent as well as various bankers' acceptances with rates between 0.75 and 0.79 per cent. Interest income on restricted assets for the year totaled $72.0 thousand (2015 - $201.0 thousand).

Schedule 6

Government Business Enterprises *(continued)*
As at March 31, 2016

Halifax-Dartmouth Bridge Commission *(continued)*

Big Lift Fund
The Big Lift Fund consists of proceeds from the 2015 Loan not yet expended on the Macdonald Bridge suspended span replacement. Under the terms of the loan agreement, these amounts have been invested in term promissory notes issued by the Province of Nova Scotia. The promissory notes mature monthly, through September 2017, in various amounts to enable HDBC to make payments to third parties within the following 30 days in respect of capital improvements to the Macdonald Bridge.

Line of Credit Agreement with the Province
On June 30, 2008, HDBC entered into an agreement with the Province for a $60.0 million revolving, unsecured line of credit. At year-end, HDBC had no advances outstanding against this line of credit (2015 – $nil) and no draws or accrued interest for the year (2015 – $nil). During the 2015 fiscal year, HDBC drew and repaid $16.2 million on this facility.

Highway 104 Western Alignment Corporation

The Highway 104 Western Alignment Corporation (H104) was established for the purpose of financing, designing, constructing, operating, and maintaining a 45 km stretch of highway (referred to as the Cobequid Pass) between Masstown and Thomson Station in the counties of Colchester and Cumberland, Nova Scotia. The *Highway 104 Western Alignment Corporation Act*, which authorizes the collection of tolls, states that toll collection will cease upon complete payment of all costs and liabilities relating to H104. This includes financing, design, construction, operation and maintenance, and any repair, improvement, alteration, or extension. The forecasted repayment date of all costs and liabilities relating to H104 was in 2019. However, on June 21, 2016, a decision was made to extend the project life from 2019 to 2026.

Related Party Transactions
At March 31, 2016, H104 had a receivable from the Province in the amount of $685.4 thousand (2015 – $600.3 thousand). Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and H104 will comply with the conditions associated with them. Grants to cover expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants to cover the cost of an asset are deferred and amortized to operations over the expected project life or useful life of the asset using the straight-line method.

Transactions with various Crown corporations, ministries, agencies, boards, and commissions related to H104 by virtue of common control by the Province are included in the financial statements of H104 and are routine operating transactions carried out as part of H104's normal day-to-day operations. These transactions are individually insignificant, and collectively, they increase enforcement costs by $60.0 thousand (2015 – $60.0 thousand), maintenance services by $1.2 million (2015 – $1.2 million), inventory by $21.3 thousand (2015 – $21.7 thousand), and property, plant and equipment by $292.7 thousand (2015 – $286.7 thousand).

Omnibus Agreement
The Omnibus Agreement, dated April 1, 1996, is an agreement between H104, the Contractor, the Operator, and the Province to design, finance, construct, operate, and maintain the Highway 104 Western Alignment. Under this agreement, the Province retains ownership of the highway. However, H104 is granted the right to operate the highway and collect tolls for a 30-year period, after which time the right will revert to the Province. Overall, the Province has contributed $27.5 million to this project.

Government Business Enterprises *(continued)*
As at March 31, 2016

Highway 104 Western Alignment Corporation *(continued)*

The capital, major maintenance, and debt service restricted reserve accounts, which have been established in accordance with the Omnibus Agreement, totaled $49.4 million (2015 - $44.7 million) at year-end. They are comprised of investments that are recorded at fair value and include accrued interest of $47.0 thousand (2015 - $21.1 thousand), have a weighted average term of 6.1 (2015 - 5.6) months to maturity, and a weighted average interest rate of 0.85 per cent (2015 - 0.92 per cent).

Annual Roadway Maintenance Agreement

The annual roadway maintenance agreement is a 30-year agreement between H104 and the Department of Transportation and Infrastructure Renewal for the provision of annual roadway maintenance services and is renewable in five-year increments. The annual fee was $1.2 million for the current fiscal year (2015 - $1.2 million). During the year, H104 incurred management fees of $239.0 thousand (2015 - $251.9 thousand) from the Province.

Long-Term Debt

Long-term debt is comprised of senior toll revenue bonds bearing interest of 10.25 per cent per year, compounded semi-annually, and maturing March 31, 2026. The bonds are payable in equal installments of interest and principal. At year-end, H104 had $37.0 million (2015 - $39.4 million) of long-term debt and $2.4 million (2015 - $2.2 million) of debt maturing within one year. Interest expense on the long-term debt was $4.2 million (2015 - $4.4 million) for the year.

Minimum principal repayments for the next five years are as follows:
2017 - $2.4 million, 2018 - $2.7 million, 2019 - $3.0 million, 2020 - $3.3 million, 2021 - $3.6 million.

Long-term debt is secured by a first charge and security interest over all the present and future property and assets, including but not limited to, cash and securities held in trust, rights under all material contracts, and all accounts receivable and interest.

Nova Scotia Liquor Corporation

The Nova Scotia Liquor Corporation (NSLC) derives its mandate from the *Liquor Control Act*, Chapter 260 of the Revised Statutes of Nova Scotia, 1989. NSLC was created June 1, 2001, by Chapter 4 of the *Government Restructuring (2001) Act*, via continuance of the Nova Scotia Liquor Commission as a body corporate. NSLC operates retail sales locations across the province of Nova Scotia.

Related Party Transactions

In 2016, remittances to the Minister of Finance and Treasury Board totaled $240.0 million (2015 - $228.0 million). All other transactions with the Province are deemed to be collectively insignificant to NSLC's financial statements.

Upon conversion to International Financial Reporting Standards (IFRS) in 2012, NSLC reclassified its payable to the Minister of Finance and Treasury Board from a liability to equity. NSLC's equity was $46.8 million (2015 - $42.2 million) at year-end. NSLC's main objectives for managing capital are to ensure sufficient liquidity in support of its financial obligations to achieve its business plans and to continue as a self-sufficient entity in order to provide continuous remittances to the Province.

Schedule 6

Government Business Enterprises *(continued)*
As at March 31, 2016

Nova Scotia Provincial Lotteries and Casino Corporation

The Nova Scotia Gaming Corporation (NSGC) was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The *Gaming Control Act* was amended on November 13, 2012, whereby the name of NSGC was changed to Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC). The principal activities of NSPLCC are to develop, undertake, organize, conduct, and manage casinos and other lottery business on behalf of the Province of Nova Scotia. Revenues of NSPLCC are derived from two casinos, located in Halifax and Sydney, as well as ticket and video lottery sales.

Payable to the Province
NSPLCC had a payable to the Province in the amount of $91.5 million (2015 – $91.8 million) at year-end. In addition to the net income of $127.5 million (2015 – $110.0 million), NSPLCC is required to pay to the Province 20.0 per cent of casino gaming revenue, otherwise known as win tax. This amounted to $13.9 million in the current year (2015 – $13.5 million).

Capital Lease Arrangements
At March 31, 2016, NSPLCC had long-term commitments for minimum lease payments relating to non-cancellable capital leases of $33.0 thousand (2015 – $0.2 million) and current portion of long-term leases of $0.1 million (2015 – $0.1 million). Interest expense related to software under capital lease was $8.0 thousand (2015 – $13.0 thousand) for the year.

The aggregate payment of long-term leases payable for the next five years are as follows:
2017 – $0.1 million, 2018 – $33.0 thousand, 2019 – $nil, 2020 – $nil, 2021 – $nil.

Special Payments to Government Departments
NSPLCC is obligated to make direct payments annually to three provincial government departments: Department of Communities, Culture and Heritage (in support of the Cultural Federation of Nova Scotia), Department of Agriculture (in support of the Exhibition Association of Nova Scotia), and Department of Health and Wellness (in support of Sport Nova Scotia). In 2016, these payments totaled $0.2 million (2015 – $0.2 million).

As part of its 2005 and 2011 Gaming Strategies, the Province approved contributions of $3.0 million to the Department of Health and Wellness in 2016 (2015 – $3.0 million) to fund problem gambling treatment and $0.5 million (2015 – $0.5 million) to fund youth gambling prevention.

Contribution to Gambling Awareness Foundation of Nova Scotia
Video Lottery (VL) retailers in Nova Scotia have agreed, under the terms of their agreements with Atlantic Lottery Corporation Inc., to contribute one per cent of their VL commission to the Gambling Awareness Foundation of Nova Scotia (GAFNS). NSPLCC has agreed to contribute an amount equal to all contributions made by the VL retailers. At March 31, 2016, NSPLCC had a payable to GAFNS in the amount of $41.0 thousand (2015 – $40.0 thousand).

Contribution to Nova Scotia Harness Racing Fund
NSPLCC annually contributes to the Nova Scotia Harness Racing Fund, pursuant to the Nova Scotia Harness Racing Fund Regulations. These contributions go towards supporting the harness racing industry in Nova Scotia. In 2016, the contribution was $1.0 million (2015 – $1.0 million).

Schedule 6

Government Business Enterprises *(continued)*
As at March 31, 2016

Nova Scotia Provincial Lotteries and Casino Corporation *(continued)*

Due to Atlantic Gaming Equipment
At March 31, 2016, the amount due to Atlantic Gaming Equipment Limited was $31.4 million (2015 – $38.1 million), of which $9.3 million (2015 – $8.1 million) was classified as current. This liability represents a portion of Atlantic Lottery Corporation Inc.'s (ALC) debt used in the acquisition of property, plant and equipment operated on behalf of NSPLCC. All amounts are payable by ALC and are due on or before December 2019.

The debt is based on variable interest rates ranging from 1.47 to 5.18 per cent. The aggregate maturity of long-term debt, which is comprised of NSPLCC's portion of ALC's debt and debt incurred jointly with the other Atlantic provinces, for the next five years is approximately as follows: 2017 – $28.7 million, 2018 – $4.8 million, 2019 – $4.9 million, 2020 – $3.8 million, 2021 – $nil. Included in interest expense is $1.0 million (2015 – $1.1 million) relating to long-term debt.

Safe Gaming System Inc.
NSPLCC has been made aware of a statement of claim filed by Safe Gaming System Inc. alleging a patent infringement related to its responsible gaming device known as the My-Play System. The claim is at an early stage and is being contested by NSPLCC. Since the outcome is undeterminable at this time, no amounts have been accrued in NSPLCC's financial statements.

Disputed HST Assessments
Included in accounts receivable at March 31, 2016 is $45.8 million (2015 – $38.2 million) that was paid to Canada Revenue Agency, on a without prejudice basis, for an assessment of HST in respect to the operation of certain video lottery terminals. NSPLCC is contesting this matter and since the outcome is undeterminable at this time, no amounts related to this contingency have been recorded in NSPLCC's financial statements.

Queen Elizabeth II Health Sciences Centre Auxiliary

The Queen Elizabeth II Health Sciences Centre Auxiliary, operating as Partners for Care, is a volunteer-based non-profit, charitable organization. The primary objective of Partners for Care is to generate revenue for Nova Scotia Health Authority (NSHA) through parking and retail services, rental activities, and other special projects that generally take place within the hospital premises. Partners for Care was identified and consolidated as a government business enterprise by NSHA.

Payable to Nova Scotia Health Authority
At March 31, 2016, Partners for Care had a payable to NSHA in the amount of $2.7 million (2015 – $3.0 million to the former Capital District Health Authority).

Transfers to Nova Scotia Health Authority
Transfers to NSHA totaled $4.7 million in 2016 (2015 – $4.8 million to the former Capital District Health Authority).

Schedule 7

Tangible Capital Assets

As at March 31, 2016

($ thousands)

						2016	2015
	Land	**Buildings and Land Improvements**	**Machinery, Computers and Equipment**	**Vehicles and Ferries**	**Roads, Bridges and Highways**	**Total**	**Total**
Costs							
Opening Costs	984,441	4,972,835	1,581,097	181,189	2,839,566	10,559,128	10,050,683
Transfers	(1,259)	(1,761)	(2,272)	(18)	(1)	(5,311)	129
Additions	16,296	148,304	82,664	16,523	205,063	468,850	542,237
Disposals	(557)	(27,737)	(21,990)	(4,119)	—	(54,403)	(33,921)
Closing Costs	998,921	5,091,641	1,639,499	193,575	3,044,628	10,968,264	10,559,128
Accumulated Amortization							
Opening Accumulated Amortization	—	(2,212,881)	(1,188,204)	(107,141)	(1,364,296)	(4,872,522)	(4,486,782)
Transfers	—	362	2,551	7	—	2,920	(127)
Disposals	—	23,908	21,847	4,049	—	49,804	25,024
Amortization Expense	—	(158,255)	(91,432)	(16,014)	(158,631)	(424,332)	(410,637)
Closing Accumulated Amortization	—	(2,346,866)	(1,255,238)	(119,099)	(1,522,927)	(5,244,130)	(4,872,522)
Net Book Value	998,921	2,744,775	384,261	74,476	1,521,701	5,724,134	5,686,606
Opening Balance	984,441	2,759,954	392,893	74,048	1,475,270	5,686,606	5,563,901
Closing Balance	998,921	2,744,775	384,261	74,476	1,521,701	5,724,134	5,686,606
Increase in Net Book Value	14,480	(15,179)	(8,632)	428	46,431	37,528	122,705

Schedule 7

Tangible Capital Assets *(continued)*
As at March 31, 2016

Amortization is calculated on a declining balance basis for most assets of the General Revenue Fund. The amortization percentages of the more common tangible capital assets are as follows:

Buildings and Land Improvements	5 – 30 per cent
Machinery, Computers and Equipment	15 – 50 per cent
Vehicles and Ferries	15 – 35 per cent
Roads, Bridges and Highways	5 – 15 per cent

Capital leases of the General Revenue Fund are amortized on a straight-line basis over the length of each lease, ranging from 3 to 25 years.

Amortization is generally calculated on a straight-line basis for assets of the governmental units. The estimated useful lives of the more common tangible capital assets are as follows:

Buildings (including Leasehold Improvements) and Land Improvements	3 – 60 years
Machinery, Computers and Equipment	2 – 60 years
Vehicles and Ferries	3 – 7 years

Capital leases of the governmental units are amortized on a straight-line basis over the length of each lease, ranging from 5 to 45 years.

Social Housing assets are included in Buildings and Land Improvements and relate to Housing Nova Scotia. These assets are amortized using the straight-line method. The net book value of these assets is $290.4 million (2015 – $313.1 million).

Included in the closing costs of the various classes as at March 31, 2016 are costs for assets under construction, which have not yet been amortized. These costs relate to buildings and land improvements of $103.6 million, machinery, computers and equipment of $49.6 million, vehicles and ferries of $8.3 million, and roads, bridges and highways of $115.2 million.

Capital leases are included in the various classes as at March 31, 2016 as follows: buildings and land improvements – cost of $463.6 million, accumulated amortization of $353.3 million; machinery, computers and equipment – cost of $38.2 million, accumulated amortization of $38.0 million; and vehicles and ferries – cost of $24.5 million, accumulated amortization of $14.2 million.

Schedule 8

Direct Guarantees

As at March 31, 2016

($ thousands)

	Foreign Exchange Rate	Authorized 2016	Utilized 2016	Utilized 2015
Bank Loans				
Department of Labour and Advanced Education – Student Loan Program		2,256	2,256	3,533
Department of Transportation and Infrastructure Renewal (US$)	0.771	6,485	—	—
Nova Scotia Business Inc.		1,500	825	625
Nova Scotia Jobs Fund Act		61,600	58,708	52,907
Total Bank Loan Guarantees		71,841	61,789	57,065
Mortgages				
Housing Nova Scotia Act		7,465	7,465	7,983
Housing Nova Scotia Act – CMHC Indemnities		49,002	49,002	58,959
Provincial Finance Act		—	—	3
Total Mortgage Guarantees		56,467	56,467	66,945
Total Direct Guarantees		128,308	118,256	124,010
Less: Provision for Guarantee Payout				
Department of Labour and Advanced Education – Student Loan Program			(547)	(102)
Housing Nova Scotia Act			(4,194)	(5,682)
Nova Scotia Business Inc.			(367)	(149)
Nova Scotia Jobs Fund Act			(250)	(2,675)
			(5,358)	(8,608)
Less: Provision for Student Debt Reduction Program				
Department of Labour and Advanced Education – Student Loan Program			(397)	(3,300)
Net Direct Guarantees			112,501	112,102

(Not provided for in these Consolidated Financial Statements)

Schedule 9

Segment Reporting
For the fiscal year ended March 31, 2016

Segment reporting is designed to assist users in identifying the resources allocated to support the major activities of government and to better understand the performance of segments.

The following schedules provide segment information for the 2016 and 2015 fiscal years. Segment results represent the activities of that segment and include any inter-segment transactions. Inter-segment eliminations are shown in a separate column and show the reconciliation to total consolidated amounts. The Province has determined that the following segments represent the major activities of government.

Health
The provision of such services and institutions to the public that will lead to a higher state of personal health.

Education
The provision of all aspects and phases of training to equip people with necessary skills to pursue productive lives. This includes: Primary to Grade 12, post-secondary and advanced education, as well as labour support.

Infrastructure & Public Works
The provision of the means to facilitate the effective and efficient movement of persons and property. This includes the net results of the Halifax-Dartmouth Bridge Commission and the Highway 104 Western Alignment Corporation.

Social Services
The provision of services and assistance to economically and/or socially disadvantaged persons requiring aid.

Natural Resources & Economic Development
The provision for the maintenance and upkeep, efficient extraction, processing, and utilization of the natural attributes of the province with the aim of creating employment and contributing to the material well-being of residents.

Other Government
Revenues and expenses that relate to activities that are not identified as a separate segment or cannot be directly allocated on a reasonable basis to individual segments because they support a wide range of service delivery activities. This includes certain items from the General Revenue Fund such as general tax revenues, sinking fund earnings, debt servicing costs, and the pension valuation adjustment.

Schedule 9

Segment Reporting ***(continued)***
For the fiscal year ended March 31, 2016
($ thousands)

	Health		Education		Infrastructure & Public Works		Social Services	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue								
Provincial Sources								
Tax Revenue	217,009	206,255	—	—	254,011	248,274	—	—
Other Provincial Revenue	591,939	472,899	459,748	447,510	20,850	21,812	106,181	112,024
Net Income from GBEs	394	229	—	—	18,580	13,147	—	—
Investment Income	2,117	6,426	8,557	8,345	—	—	26,644	26,993
Federal Sources	953,151	907,661	269,492	263,773	31,651	23,807	279,612	275,005
Total Revenues	1,764,610	1,593,470	737,797	719,628	325,092	307,040	412,437	414,022
Expenses								
Grants and Subsidies	1,895,288	1,766,935	603,664	595,930	21,114	235	772,235	767,008
Salaries and Employee Benefits	1,837,089	1,717,055	1,363,693	1,331,693	122,772	122,080	160,147	172,510
Operating Goods and Services	737,158	800,359	331,966	331,695	85,208	102,159	119,408	121,680
Professional Services	60,165	84,609	20,222	24,203	17,794	15,815	4,915	3,556
Amortization	99,623	101,986	84,137	82,988	186,259	181,416	23,690	21,476
Debt Servicing Costs	17,502	18,386	10,411	12,213	—	—	39,997	42,727
Other	—	—	—	—	—	—	—	—
Total Expenses	4,646,825	4,489,330	2,414,093	2,378,722	433,147	421,705	1,120,392	1,128,957
Segment Result	(2,882,215)	(2,895,860)	(1,676,296)	(1,659,094)	(108,055)	(114,665)	(707,955)	(714,935)

Schedule 9

Segment Reporting *(continued)*
For the fiscal year ended March 31, 2016
($ thousands)

	Natural Resources & Economic Development		Other Government		Inter-Segment Eliminations		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue								
Provincial Sources								
Tax Revenue	403	331	4,986,200	4,788,078	—	—	5,457,623	5,242,938
Other Provincial Revenue	33,594	191,409	415,134	388,234	(155,515)	(143,894)	1,471,931	1,489,994
Net Income from GBEs	—	—	368,783	338,019	—	—	387,757	351,395
Investment Income	4,053	7,170	180,376	181,919	(31,622)	(33,183)	190,125	197,670
Federal Sources	41,150	87,430	1,855,058	1,822,247	—	—	3,430,114	3,379,923
Total Revenues	79,200	286,340	7,805,551	7,518,497	(187,137)	(177,077)	10,937,550	10,661,920
Expenses								
Grants and Subsidies	97,414	182,061	356,262	380,286	(30,952)	(58,540)	3,715,025	3,633,915
Salaries and Employee Benefits	134,182	139,772	510,467	437,675	(88,016)	(45,284)	4,040,334	3,875,501
Operating Goods and Services	158,333	167,912	178,266	164,628	(6,404)	(5,071)	1,603,935	1,683,362
Professional Services	17,092	17,493	173,813	156,169	(935)	(699)	293,066	301,146
Amortization	6,435	6,374	24,188	16,397	—	—	424,332	410,637
Debt Servicing Costs	5,137	10,695	854,986	876,691	(58,736)	(62,659)	869,297	898,053
Other	4,313	7,823	—	—	(2,094)	(4,824)	2,219	2,999
Total Expenses	422,906	532,130	2,097,982	2,031,846	(187,137)	(177,077)	10,948,208	10,805,613
Segment Result	(343,706)	(245,790)	5,707,569	5,486,651	—	—	(10,658)	(143,693)

Schedule 10

Government Reporting Entity
As at March 31, 2016

The General Revenue Fund is comprised of the Province's departments and public service units, special operating agencies, and special purpose funds, which are consolidated with the governmental units, government business enterprises, and a proportionate share of government partnership arrangements to form the Province's government reporting entity.

Departments and Public Service Units
(Consolidation Method)

- Agriculture
- Business
  - Invest Nova Scotia Fund
  - Nova Scotia Jobs Fund
- Communities, Culture and Heritage
- Community Services
- Education and Early Childhood Development
- Energy
- Environment
- Finance and Treasury Board
  - Muggah Creek Remediation Fund
  - Public Debt Management Fund
  - SYSCO Decommissioning Fund
- Fisheries and Aquaculture
- Health and Wellness
- Internal Services
- Justice
- Labour and Advanced Education
- Municipal Affairs
- Natural Resources
- Public Service
  - Aboriginal Affairs
  - Communications Nova Scotia
  - Elections Nova Scotia
  - Executive Council
  - Human Rights Commission
  - Intergovernmental Affairs
  - Legislative Services
  - Nova Scotia Police Complaints Commissioner
  - Nova Scotia Securities Commission
  - Office of Immigration
  - Office of Regulatory Affairs and Service Effectiveness
  - Office of Service Nova Scotia
  - Office of the Auditor General
  - Office of the Information and Privacy Commissioner
  - Office of the Ombudsman
  - Public Prosecution Service
  - Public Service Commission
- Seniors
- Transportation and Infrastructure Renewal

Special Operating Agencies
(Consolidation Method)

- Nova Scotia Apprenticeship Agency
- Nova Scotia Home for Colored Children Restorative Inquiry
- Sydney Tar Ponds Agency (inactive)

Special Purpose Funds
(Consolidation Method)

- Acadia Coal Company Limited Fund
- CorFor Capital Repairs and Replacements Fund
- Crown Land Mine Remediation Fund
- Crown Land Silviculture Fund
- Democracy 250 (inactive)
- Gaming Addiction Treatment Trust Fund
- Habitat Conservation Fund
- Nova Scotia Coordinate Referencing System Trust Fund
- Nova Scotia E911 Cost Recovery Fund
- Nova Scotia Environmental Trust
- Nova Scotia Government Acadian Bursary Program Fund
- Nova Scotia Harness Racing Fund
- Nova Scotia Market Development Initiative Fund
- Nova Scotia Nominee Program Fund
- Nova Scotia Sportfish Habitat Fund
- Off-Highway Vehicle Infrastructure Fund
- P3 Schools Capital and Technology Refresh Fund [1]
- Pengrowth Nova Scotia Energy Scholarship Fund
- Scotia Learning Technology Refresh Fund
- Select Nova Scotia Fund
- Species-at-risk Conservation Fund
- Sustainable Forestry Fund
- Vive l'Acadie Community Fund

Governmental Units
(Consolidation Method)

- Annapolis Valley Regional School Board
- Art Gallery of Nova Scotia
- Arts Nova Scotia
- Bioscience Enterprise Centre Incorporated (inactive)
- Cape Breton-Victoria Regional School Board
- Check Inns Limited (inactive)
- Chignecto-Central Regional School Board

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[1] – *Includes all refresh funds related to P3 schools.*

Schedule 10

Government Reporting Entity *(continued)*
As at March 31, 2016

Governmental Units *(continued)*
(Consolidation Method)

- Conseil scolaire acadien provincial
- Creative Nova Scotia Leadership Council
- Film and Creative Industries Nova Scotia
- Gambling Awareness Foundation of Nova Scotia
- Halifax Regional School Board
- Harbourside Commercial Park Inc.
    - Sydney Utilities Limited
- Housing Nova Scotia
    - Cape Breton Island Housing Authority
    - Cobequid Housing Authority
    - Eastern Mainland Housing Authority
    - Metropolitan Regional Housing Authority
    - Western Regional Housing Authority
- Invest Nova Scotia Board
- Izaak Walton Killam Health Centre
- Law Reform Commission of Nova Scotia
- Nova Scotia Arts Council (inactive)
- Nova Scotia Business Inc.
- Nova Scotia Community College
    - Nova Scotia Community College Foundation
- Nova Scotia Crop and Livestock Insurance Commission
- Nova Scotia Farm Loan Board
- Nova Scotia Fisheries and Aquaculture Loan Board
- Nova Scotia Health Authority
- Nova Scotia Health Research Foundation
- Nova Scotia Innovation Corporation
    - 1402998 Nova Scotia Limited
    - 3087532 Nova Scotia Limited
- Nova Scotia Lands Inc.
- Nova Scotia Legal Aid Commission
- Nova Scotia Municipal Finance Corporation
- Nova Scotia Power Finance Corporation
- Nova Scotia Primary Forest Products Marketing Board
- Nova Scotia School Boards Association [1]
- Nova Scotia School Insurance Exchange [2]
- Nova Scotia School Insurance Program Association [2]
- Nova Scotia Strategic Opportunities Fund Incorporated
- Nova Scotia Utility and Review Board
- Perennia Food and Agriculture Incorporated
- Provincial Drug Distribution Program
- Public Archives of Nova Scotia
- Renova Scotia Bioenergy Inc.
- Resource Recovery Fund Board Inc.
- Schooner Bluenose Foundation
- Sherbrooke Restoration Commission
- South Shore Regional School Board
- Strait Regional School Board
- Sydney Environmental Resources Limited (inactive)
- Sydney Steel Corporation
- Tourism Nova Scotia
- Trade Centre Limited
- Tri-County Regional School Board
- Upper Clements Family Theme Park Limited (inactive)
- Waterfront Development Corporation Limited
    - 3104102 Nova Scotia Limited
- 3052155 Nova Scotia Limited

Government Business Enterprises
(Modified Equity Method)

- Halifax-Dartmouth Bridge Commission
- Highway 104 Western Alignment Corporation
- Nova Scotia Liquor Corporation
- Nova Scotia Provincial Lotteries and Casino Corporation
    - Atlantic Lottery Corporation (25% ownership)
    - Interprovincial Lottery Corporation (10% ownership)
    - Nova Scotia Gaming Equipment Limited
- Queen Elizabeth II Health Sciences Centre Auxiliary [3]

Government Partnership Arrangements
(Modified Equity Method) [4]

- Atlantic Provinces Special Education Authority (approximately 56% share)
- Canada-Nova Scotia Offshore Petroleum Board (50% share)
- Canadian Sports Centre Atlantic (approximately 14% share)
- Council of Atlantic Premiers (approximately 46% share)

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[1] – *Entity is a partnership controlled by the eight school boards.*

[2] – *Entity is a partnership controlled by the eight school boards and the Nova Scotia Community College.*

[3] – *Entity is a government business enterprise controlled by Nova Scotia Health Authority.*

[4] – *GPAs do not meet the threshold of materiality and cost-benefit to use the proportionate consolidation method.*

NOVA SCOTIA